92-2261

A	AERODYNE PRODUCTS CORP	10Q	03-27-92
B	BAY AREA HOLDINGS INC	10Q	03-31-92
C	COLONIAL DATA TECHNOLOGIES CORP	10Q	03-31-92
D	CROWNAMERICA INC	10Q	02-29-92
E	FIFTH DIMENSION INC	10Q	03-31-92
F	HOMESTYLE BUFFET INC	10Q	03-25-92
G	HYDROMER INC	10Q	03-31-92
H	INFORMATION RESOURCE ENGINEERING INC	10Q	03-31-92
I	K7 CAPITAL CORP	10Q	03-31-92
J	LWAY PRODUCTIONS	10Q	03-31-92
K	MEMRY CORP	10Q	03-31-92
L	MICROENERGY INC	10Q	03-31-92
M	NUMERICA FINANCIAL CORP	10Q	03-31-92
N	PACIFIC ENERGY AND MINING CO	10Q	02-29-92
O	PAN AMERICAN ENERGY CORP	10Q	03-31-92
P	PEEBLES INC	10Q	04-30-92
Q	REXON INC	10Q	03-29-92
R	UNION PLAZA HOTEL AND CASINO INC	10Q	03-31-92
S	UNITED STATES LEASING INTERNATIONAL INC	10Q	03-31-92
T	UPTOWNER INNS INC	10Q	03-31-92
U	WAVETECH INC	10Q	02-29-92
V	WOODBURY TELEPHONE CO	10Q	03-31-92

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly Report under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter Ended March 27, 1992 | Commission File Number 1-10790

Aerodyne Products Corporation

(Exact name of Registrant as specified in its Charter)

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1992

Delaware
(State or other jurisdiction of
incorporation or organization)

04-2596252
(I.R.S. Employer
Identification Number)

L3Q

76 Treble Cove Road, N. Billerica, MA
(Address of Principal Executive Offices)

01862
(Zip Code)

Registrant's Telephone Number, including Area Code: (508) 663-7411

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act or 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file requirements), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

As of May 8, 1992, there were 1,984,965 shares of Common Stock of the Registrant outstanding.

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PART 1. FINANCIAL INFORMATION
Item 1. Financial Statements

AERODYNE PRODUCTS CORPORATION
Balance Sheets

Assets	March 27, 1992 (Unaudited)	Sept 27, 1991
Current assets:		
Cash and cash equivalents	$2,157,647	$2,847,489
Trade accounts receivable, less allowance for doubtful accounts (see notes)	225,970	293,578
Cost and estimated earnings in excess of billings on uncompleted contracts	79,549	223,301
Inventory	413,016	304,641
Prepaid expenses and other current assets	65,646	8,936
Notes receivable from stockholder	20,000	20,000
Total current assets	2,961,826	3,697,945
Computer software costs	58,690	75,272
Property and equipment, net	151,761	83,711
Other assets	18,108	18,059
Total assets	$3,190,385	$3,874,987
Liabilities and Stockholders' Equity		
Current liabilities:		
Subordinated convertible note	0	5,000
Accounts payable	173,716	245,267
Accrued expenses	171,522	283,190
Notes payable to stockholder	0	100,000
Billings in excess of costs and estimated earnings on uncompleted contracts	79,081	236,430
Total current liabilities	424,319	869,887
Stockholders' equity		
Common stock, $.01 par value. Authorized 14,000,000 shares; issued and outstanding 1,984,965 shares	19,849	19,849
Additional paid-in capital	8,386,669	8,386,669
Accumulated deficit	(5,640,452)	(5,401,418)
Total stockholders' equity	2,766,066	3,005,100
Total liabilities and stockholders' equity	$3,190,385	$3,874,987

The accompanying notes are an integral part of these financial statements. These statements should be read in conjunction with the Company's most recent audited financial statements (see footnote 2).

AERODYNE PRODUCTS CORPORATION

Statements of Operations

(Unaudited)

	Three Months Ended		Six Months Ended	
	March 27, 1992	March 29, 1991	March 27, 1992	March 29, 1991
Contract revenue:				
Product assembly contracts	$334,821	$225,759	$1,085,452	$579,977
Research and development contracts	14,588	37,717	44,627	54,363
Total contract revenue	349,409	263,476	1,130,079	634,340
Contract costs:				
Direct labor	87,778	81,155	168,798	172,379
Other direct costs	96,068	69,363	296,808	122,158
Overhead	66,646	31,485	152,408	108,158
General and administrative	19,735	11,633	44,699	33,023
Research and development	7,268	16,375	34,152	26,086
Total contract costs	277,475	210,011	696,865	461,804
Contract Profit	71,934	53,465	433,214	172,536
Operating expenses:				
Engineering	30,233	8,636	79,578	14,603
Product marketing and development	96,632	44,719	204,196	144,081
General and administrative	242,976	103,684	445,086	174,845
Total operating expenses	369,841	157,039	728,860	333,529
Operating loss	(297,907)	(103,574)	(295,646)	(160,993)
Other income (expense):				
Interest	19,077	(7,787)	50,157	(40,969)
Other	525		6,455	
Total other income (expense)	19,602	(7,787)	56,612	(40,969)
Net loss	($278,305)	($111,361)	($239,034)	($201,962)
Loss per share	($0.14)	($0.09)	($0.12)	($0.16)
Weighted average common shares outstanding	1,984,965	1,282,622	1,984,965	1,282,622

The accompanying notes are an integral part of these financial statements. These statements should be read in conjuction with the Company's most recent audited financial statements (see footnote 2).

AERODYNE PRODUCTS CORPORATION
Statements of Cash Flow

	Six months ended March 27, 1992 (unaudited)	Six months ended March 29, 1991 (unaudited)
Cash flows from operating activities:		
Net loss	($239,034)	($201,962)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	60,581	75,265
Change in assets and liabilities:		
Trade accounts receivable	67,608	173,370
Cost and estimated earnings in excess of billings on uncompleted contracts	143,752	26,688
Inventory	(108,373)	(99,116)
Prepaid expenses	(56,710)	1,805
Accounts payable	(71,551)	(92,173)
Accrued expenses	(111,717)	10,751
Billings in excess of costs and estimated earnings on uncompleted contracts	(157,349)	(56,195)
Net cash used for operating activities	(492,793)	(161,567)
Cash flows from investing activities:		
Additions to property and equipment	(92,049)	(5,550)
Net cash used for investing activities	(92,049)	(5,550)
Cash flows from financing activities:		
Payments on notes payable to bank	0	(82,271)
Proceeds from/payments on notes payable to stockholders	(105,000)	220,271
Proceeds from long-term debt	0	
Payment on note payable to related party	0	(10,500)
Net cash provided by (used for) financing activities	(105,000)	127,500
Net decrease in cash	(689,842)	(39,617)
Cash and cash equivalents, beginning of period	2,847,489	70,328
Cash and cash equivalents, end of period	$2,157,647	$30,711

The accompanying notes are an integral part of these financial statements. These statements should be read in conjunction with the Company's most recent audited financial statements (see footnote 2).

AERODYNE PRODUCTS CORPORATION

Notes to Condensed Consolidated Financial Statements

1. Nature of Business

Aerodyne Products Corporation designs, assembles and markets high technology products for three product lines: automated surface inspection systems, electro-optical sensors and instruments, and a family of industrial computers and related products. The Company's surface inspection systems are automated visual inspection systems for detecting surface flaws in a range of industrial materials produced by a web process, using video image analysis technology.

2. Basis of Presentation

In the opinion of management, the accompanying unaudited financial statements reflect all adjustments which are necessary to present fairly the financial position as of March 27, 1992, the results of operations for the three months ended March 27, 1992 and March 29, 1991 and the results of operations and cash flows for the six months ended March 27, 1992 and March 29, 1991. Certain information and footnote disclosures normally included in the annual financial statements, which are prepared in accordance with generally accepted accounting principles, have been condensed or omitted. Accordingly, the Company believes that although the disclosures are adequate to make the information presented not misleading, the financial statements should be read in conjunction with the Company's Form 10K for the fiscal year ended September 27, 1991. The results of operations for the three month and six month periods reported are not necessarily indicative of those that may be expected for the full year.

3. Amdex Acquisition

In November 1991, the Company acquired certain assets and assumed certain liabilities of Amdex Corporation ("Amdex") for a total purchase price of $87,457, which was paid in cash. Amdex is an assembler of personal computer-based industrial computers. In addition, the Company entered into an employment agreement with the president of Amdex. Net sales of Amdex products for the quarter ended March 27, 1992 were $84,932.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three Months Ended March 27, 1992 Compared to Three Months Ended March 29, 1991

The Company had net revenues for the three month period ended March 27, 1992 of $349,409, compared with $263,476 for the corresponding period in the prior year. Sales to the U.S. Government, and revenues from sales of photographics and Research and Development (R&D) contracts accounted for $62,328 for the three months ended March 27, 1992 as compared to $46,083 for the three months ended March 29, 1991. Sales of industrial inspection equipment were $202,149 for the three months ended March 27, 1992, compared with $217,393 for the corresponding period in the prior year. In addition, the Company shipped $84,932 of industrial computers during the quarter ended March 27, 1992.

As of April 24, 1992, the Company's backlog had decreased to $350,478 from $717,188 at April 26, 1991. The decline in backlog is due primarily to a $300,405 decrease in government research and development (R&D) contracts.

The Company generated a contract profit margin of 20.6% in the three months ended March 27, 1992 compared to a contract profit margin of 20.3% for the three months ended March 29, 1991. The Company expects margins to improve as sales volume increases.

Operating expenses for the three months ended March 27, 1992 were $369,841 (106% of net revenues) as compared to $157,039 (60% of net revenues) for the three months ended March 29, 1991. This represents a $212,802 increase which can be attributed primarily to increases in general and administrative costs associated with being a public company, to increases in engineering costs, and to increased spending on sales and marketing. Approximately $105,000 was spent in the three months ended March 27, 1992 for financial public relations, financial consulting services, preparation and printing of the Company's Form 10-K and annual report, and hiring a full time financial controller and chief financial officer. In addition, the Company invested a total of $107,000 to develop product enhancements for the industrial inspection product line, to open a new sales office, to develop international sales channels and to evaluate possible acquisition candidates.

The Company earned $19,077 of net interest income for the three months ended March 27, 1992 compared to $7,787 of interest expense for the corresponding period of the prior fiscal year. This change is attributable to interest earned on the proceeds received from the Company's initial public offering and to the repayment of the Company's outstanding debt.

Six Months Ended March 27, 1992 compared to Six Months Ended March 29, 1991

The Company had net sales for the six months ended March 27, 1992 of $1,130,079, compared with $634,340 for the prior year. Sales to the U.S. Government and revenues from photographics and R&D Contracts were $180,526 for the six months ended March 27, 1992 as compared to $274,945 for the six months ended March 29, 1991. Sales of industrial inspection equipment were $796,376 for the six months ended March 27, 1992 as compared to $359,395 for the six months ended March 27, 1991. In addition, the Company shipped $153,177 of industrial computers during the six months ended March 27, 1992.

The Company achieved a contract profit margin of 38.3% of net revenues in the first six months ended March 27, 1992 compared with a margin of 27.2% for the corresponding period of 1991. This difference was due primarily to increased margins associated with inspection systems sold to one key customer.

Operating expenses for the six months ended March 27, 1992 were $728,860 (64% of net revenues) compared to $333,529 (53% of net revenues) for the six months ended March 29, 1991. This represents a $395,331 increase which occurred principally as a result of increases in general and administrative costs associated with being a public company, increases in engineering and increases in sales and marketing efforts. Approximately $180,000 was spent in the six months ended March 27, 1992 for financial public relations, financial consulting services, hiring a full time financial controller and chief financial officer, and increased legal costs. In addition, the Company invested a total of $214,000 to develop product enhancements for the industrial inspection product line, to open a new sales office, to develop international sales channels and to evaluate possible acquisition candidates.

The Company earned $50,157 net interest income for the six months ended March 27, 1992 compared to $40,969 of interest expense for the corresponding period of the prior fiscal year. The change is attributable to interest earned on the proceeds received from the Company's initial public offering and to the repayment of the Company's outstanding debt.

Liquidity and Capital Resources

The Company's primary source of liquidity at March 27, 1992 consisted of $2,157,647 of cash and cash equivalents (certificates of deposit). The decrease in cash during the period ended March 27, 1992 of $689,842 resulted from an increase in cash used for operations (principally to finance increase in inventory and decreases in accounts payable and accrued expenses) equipment purchases and the repayment of $105,000 of debt. Funding requirements for the Company's operations are expected to be met from the Company's cash position and from future operations. The Company believes that inflation has not had a material effect on the results of its operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not involved in any legal proceedings as of the date of this report.

Item 2. Change in Securities

(a) Not applicable

(b) Not applicable

Item 3. Default Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Stockholders on March 10, 1992. At the Annual Meeting, the Stockholders elected Gerald W. Stewart, Robert J. Borel, Howard Davidoff, Vincent A. Fulmer and Arthur Jenkins to the Board of Directors, each to serve until the next Annual Meeting and until their successors have been elected and shall have qualified.

In addition to the members of the Board of Directors, the Stockholders ratified and approved the adoption of the Company's 1991 Stock Option Plan and ratified and approved the selection of the firm KPMG Peat Marwick as independent auditors of the Company for the fiscal year ending September 25, 1992. There were 1,311,158 shares voted in favor of the adoption of the 1991 Stock Option Plan and 3,700 shares voted against such adoption. There were 1,899,455 shares voted in favor of the ratification and approval of the selection of KPMG Peat Marwick and no shares voted against said ratification and approval.

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports of Form 8-K

(a) Not applicable

(b) A Form 8-K Report dated February 25, 1992 was filed by the Company to report that Aerodyne Products Corporation and Intec Corp. had signed a letter of intent to merge Intec Corp. with a wholly-owned subsidiary of Aerodyne.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Aerodyne Products Corporation
(Registrant)

5/8/92

(Signature)
Gerald W. Stewart
Chief Executive Officer

5/8/92

Roger N. Tuttle
(Signature)
Roger N. Tuttle
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended....3/31/92 Commission File No. 0-1994

BAY AREA HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

CALIFORNIA (State or other jurisdiction of incorporation or organization)	94-1450703 (I.R.S. Employer Identification No.)

401 First St., Benicia, California 94510
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (707) 746-0368

SECURITIES REGISTERED PURSUANT TO SECTION 12 (b) OF THE ACT:
None

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT:
Class 'A' Common Stock, par value $10.00

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days Yes X No _

The registrant is unable to determine the aggregate market value of voting stock held by non affiliates because there is no market for registrants stock except for limited or sporadic quotations.

The number of shares outstanding of each of the registrant's classes of common stock, as November 8, 1991;

Convertible preferred stock, no par value Issued and outstanding	748,055 shares
Common stock, no par value, Issued and outstanding	2,261,215 shares

(30)

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MAY 11 1992

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Management's Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS

1992 vs. 1991

Bar and liquor sales in the restaurant for the nine months ended March 31, 1992, totaled $321.397, an increase of $8,829 (2.82%) as compared to sales of $312,568 for the nine months ended March 31, 1991. Monthly sales as compared with the previous year increased in January and February and decreased in March. The California State Board of Equalization reports that per capita consumption of beer, wine and spirits fell for the second consecutive year. The improved bar sales figures are linked to the increase in restaurant and hotel sales, and that the bar/parlor has received media recognition for the quality and variety of entertainment being offered. It is therefore attracting a more varied and diverse crowd. The improved entertainment is however costing more as a percentage of sales.

Hotel sales totaled $141,577 for the nine months ended March 31, 1992. This compares with $123,393 for the comparative period of 1991. This is a increase of $18,184 (14.73%) for the period. Hotel sales are still below the level of 1988. The increased commercial occupancy is compensating for the decrease in tourist traffic. It is not expected that tourist accommodation sales will increase materially until the economic uptrend is firmly established. Major increases in commercial accommodation sales will only be experienced when Benicia experiences substantial growth in both the downtown area and the industrial park.
The Union Hotel stands alone as a downtown attraction and there is little incentive for tourists to overnight in Benicia other than specifically to enjoy the facilities of the Hotel. The increase in accommodation sales is mainly attributable to increased commercial business.
A new roof was installed during October 1991 at a cost of $10,461. This amount has been capitalize

Construction of a shopping center of approximately 34,000 square feet commenced in January 1990. The complex will house retail stores, a food concourse and short term fully serviced rental apartments. These may adversely affect the occupancy rate of the hotel as the center attempts to gain a foothold in the accommodation market. Completion of the complex was anticipated for the the first quarter of 1991. At the time of writing work seems to have ceased due to financial problems of the developer. It is unlikely that completion will occur before late 1992. It is possible that when completed, the increase in retail square footage in the downtown area together with the variety of stores will attract the local population to visit downtown Benicia, instead of shopping and entertaining in the surrounding towns. This should enhance property values on First Street as well as generate business for the restaurant and bar.

Restaurant food sales for the six months ended March 31, 1992, totaled $472,334. This compares with $453,610 for the comparative nine months of 1990, an increase of $18,724, or 4.12%. The increased sales is contrary to trends in the industry. Sales in both March and April 1992 were below the previous year. A Public Relations promotion campaign to commence in May 1992, is planned in an attempt to ensure continued growth of the restaurant notwithstanding the current economic atmosphere.

Energy and Resource Conservation. (E & R C)

Pacific Gas and Electric Company has appointed E & R C an official consultant of their Energy Efficiency

Services Services Support program. The first appointment to audit P G & E clients is anticipated before the end of the fiscal year. This will be in addition to consulting service contracts solicited by E & R C staff. No new contracts were entered into during the three months ended March 1992. All bids submitted will be reviewed during the period ending June 1992 and the future potential of the department evaluated.

General

Prices were not increased during the period under review. Although inflation has not had a major effect on operating costs, increased taxes on alcohol imposed by the State of California and the Federal Government have increased product costs and contributed to lower demand and consumption. The increase taxes have not been passed on by either the bar or the restaurant to the consumer.

Recapitalization

The recapitalization, approved at a meeting of shareholders held on July 9, 1990, resulted in;
(i) each outstanding share of the Company's existing Class A Common stock, including all accrued dividends thereon, will automatically be converted into five shares of the New Preferred Stock and five shares of the New Common Stock, and each outstanding share of the existing Class B Common Stock will automatically be converted into ten shares of the New Common Stock. The authorized capital stock of the Company is increased to; (1) 748,055 shares of Convertible Preferred Stock to facilitate the conversion and split of the Class A common stock, and (2) 8,141,831 shares of Common Stock. 2,244,165 shares of New Common Stock will be issued to holders of Class A and Class B common stock in terms of the recapitalization, and 897,666 New Common shares will be held to facilitate the voluntary conversion rights of the New Preferred shares. This will leave 5,000,000 shares of New Common Stock authorized and unissued.

Liquidity

Overall trading to date has resulted in a profit. This has been offset by additional assessments by the liability insurance carriers of the Company. The increased assessment arose as the insurers had not provided for the increased sales attained inthe fiscal years ended June 1990 and 1991.
Applications to refinance the mortgage currently encumbering the Union Hotel have been submitted to various financial institutions. It is anticipated that a new mortgage at a lower rate and for a longer term can be acquired. A positive response has so far been received from two institutions. It is possible that the amount of the mortgage will be increased to provide additional investment capital.

Profits

Sales for the nine months ended March 31, 1992 reflect an increase of $45,737 (5.14%) over the comparative period ended March 1991. General and Administrative costs relative to hotel operations increased by 0.58%. If the current trend continues liquidity is expected to improve during the rest of the fiscal year.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Bay Area Holdings, Inc.

Date: May 4, 1992

....
Stephen Unsworth, President

BAY AREA HOLDINGS, INC.

BALANCE SHEET AT MARCH 31,1992

ASSETS

	3/31/92	6/30/91
Current assets:		
Cash	$49,992	$54,643
Accounts receivable	2,923	14,148
Inventories	44,616	36,402
Other current assets	20,810	5,521
Total current assets	118,341	110,714
Property and equipment:		
Land	96,611	96,611
Buildings	953,253	951,157
Furniture and equipment	266,226	262,172
	1,316,090	1,309,940
Less accumulated depreciation	669,525	638,771
Net property and equipment	646,565	671,169
Other assets	60,280	62,236
Investments	2,439	2,439
Liquor licence, at cost	46,675	46,675
Deferred loan fees, net of accumulated amortization	8,166	10,122
Deposits	3,000	3,000
	$825,186	$844,119

LIABILITIES and STOCKHOLDERS EQUITY

	3/31/92	6/30/91
Current liabilities:		
Trade accounts payable	$32,827	$41,464
Accrued liabilities	57,153	53,969
Income taxes payable	600	800
Current portion of long term debt	2,039	3,853
	92,619	100,086
Long term debt	289,625	289,625
Shareholder's equity:		
Convertible preferred stock, no par value 748,055 shares authorized and to be issued. $0.05 non cumulative dividend, convertible into 1.2 shares of common stock, with a liquidation preference of up to $2.00 per share.	964,991	964,991
Common stock, no par value, authorized 8,141,831 shares, 2,244,165 shares to be issued.	248,137	248,137
Accumulated deficit	-770,186	-758,720
Stockholders equity	442,942	454,408
	$825,186	$844,119

BAY AREA HOLDINGS, INC.
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

NINE and THREE MONTHS ENDED MARCH 31, 1992

	9 MONTHS ended 31-Mar-92		9 MONTHS ended 31-Mar-91		3 MONTHS ended 31-Mar-92		3 MONTHS ended 31-Mar-91	
Sales								
Net hotel revenue	$141,577		$123,393		$46,159		$37,872	
Net bar sales	$321,397		$312,568		$94,625		$101,389	
Net restaurant sales	$472,334		$453,610		$141,534		$140,347	
Total sales	$935,308		$889,571		$282,318		$279,608	
Cost and operating expenses								
Cost of bar sales	$105,925	32 96%	$95,404	30.52%	$29,552	31.23%	$30,490	30 07
Cost of restaurant sales	$155,167	32.85%	$154,981	34 17%	$47,553	33.60%	$47,511	33.85
	$261,092		$250,385		$77,105		$78,001	
General and administrative hotel expenses excluding general corporate expenses	$536,170		$524,804		$167,544		$174,427	
Total operating expenses	$797,262		$775,189		$244,649		$252,428	
GROSS OPERATING REVENUES OVER EXPENSES	$138,046		$114,382		$37,669		$27,180	
FIXED HOTEL CHARGES								
Depreciation and amortization	$39,357		$40,527		$13,119		$13,545	
Interest	$22,484		$24,290		$5,499		$8,845	
Property taxes & insurance	$34,066		$33,584		$9,866		$7,948	
	$95,907		$98,401		$28,484		$30,338	
EXCESS OF HOTEL OPERATIONS REVENUES OVER EXPENSES	$42,139		$15,981		$9,185		($3,158)	
ENERGY & RESOURCE CONSERVATION								
Revenues	$2,341		-		$350		-	
Expenses	$12,156		$6,200		$3,769		$6,200	
	($9,815)		($6,200)		($3,419)		($6,200)	
NON OPERATING (INCOME) EXPENSES								
Recapitalization charges	-		$28,389		-		$4,688	
Mortgage initiation costs	$1,956		$1,967		$644		$656	
Corporate expenses	$27,844		$23,533		$13,068		$12,219	
Interest received	($1,613)		($2,556)		($414)		($1,254)	
	$28,187		$51,333		$13,298		$16,309	
EXCESS OF REVENUE OVER EXPENSES	$4,137		($41,552)		($7,532)		($25,667)	
Provision for income taxes	$600		$600		$200		$200	
NET PROFIT (LOSS)	$3,537		($42,152)		($7,732)		($25,867)	
Accumulated deficit, beginning of period	($758,720)		($695,750)		($747,451)		($711,935)	
ADD Expenses attributible to previous year	($15,003)		-		($15,003)		-	
Accumulated deficit, end of period	($770,186)		($737,902)		($770,186)		($737,802)	

Basis of Presentation

The information at December 31, 1992, for the three months and nine months periods ended December 31, 1992, and December 1991 are unaudited, but includes all adjustments (consisting only of normal recurring entries), which Bay Area Holdings, Inc., management believes to be necessary for fair presentation of the periods presented. Interim results are not necessarily indicative of results for a full year. The financial results should be read in conjunction with Bay Area Holdings, Inc., audited financial statements for the year ended June 30, 1991

BAY AREA HOLDINGS, INC.

Statement of Changes in Financial Condition

	Nine Months ended 3/31/92	Nine Months ended 3/31/91
Sources of working capital		
Profit (Loss)from continuing operations	$3,537	($42,152)
Items that did not use working capital		
Depreciation	$39,357	$40,527
Working capital provided by continuing operations	$42,894	($1,625)

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Q-35781

For the quarterly period ended March 31, 1992

C92-22601

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to __

Commission File Number 0-15562

BEST COPY AVAILABLE

COLONIAL DATA TECHNOLOGIES CORP.
(Exact name of registrant as specified in its charter)

Massachusetts	04-2763229
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

PROCESSED BY
49-13-I
MAY 11 1992

80 Pickett District Road
New Milford, Connecticut 06776
(Address of principal executive offic
(Zip Code)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(203) 355-3178
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

_X_ Yes ______ No

The number of shares outstanding of the issuer's common stock, as of April 30, 1992 was 9,823,050.

This filing consists of 49 pages.
Exhibit index appears at page 12

COLONIAL DATA TECHNOLOGIES CORP.

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PART I.

Item 1. Financial Statements

COLONIAL DATA TECHNOLOGIES CORP. AND SUBSIDIARY

CONSOLIDATED CONDENSED BALANCE SHEETS,
MARCH 31, 1992 AND DECEMBER 31, 1991
(in thousands except share data)

ASSETS	NOTES	1992 (Unaudited)	1991
CURRENT ASSETS:			
Cash		$ 79	$ 7
Accounts receivable (net of allowance of $6 and $7 in 1992 and 1991, respectively)		932	1,004
Merchandise sold under contract	2	2,128	2,608
Inventories	3	1,497	1,367
Prepaid expenses		94	174
Total current assets		4,730	5,160
PROPERTY, PLANT AND EQUIPMENT (net of accumulated depreciation of $576 and $672 in 1992 and 1991, respectively)		653	612
TOTAL ASSETS		$5,383	$5,772
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable		$ 255	$ 435
Short-term credit arrangement		219	646
Accrued liabilities		299	177
Total current liabilities		773	1,258
COMMITMENTS	5		
STOCKHOLDERS' EQUITY:			
Common stock, par value $.01 per share, authorized 12,500,000 shares, issued and outstanding 9,823,050 shares in 1992 and 1991, respectively		99	99
Additional paid-in capital		3,329	3,329
Retained earnings		1,182	1,086
Total stockholders' equity		4,610	4,514
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$5,383	$5,772

See notes to consolidated condensed financial statements.

COLONIAL DATA TECHNOLOGIES CORP. AND SUBSIDIARY

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991

(in thousands except share and per share data)

	1992	1991
	(unaudited)	
REVENUES:		
Products	$1,994	$1,003
Services	448	270
Total revenues	2,442	1,273
COST OF SALES:		
Products	1,400	646
Services	300	260
Total cost of sales	1,700	906
GROSS PROFIT	742	367
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	576	467
INCOME (LOSS) FROM OPERATIONS	166	(100)
OTHER INCOME (EXPENSE)	3	(44)
INCOME (LOSS) BEFORE INCOME TAXES	169	(144)
INCOME TAXES (BENEFIT)	73	(48)
NET INCOME (LOSS)	$ 96	$ (96)
WEIGHTED AVERAGE NUMBER OF SHARES USED IN COMPUTING EARNINGS PER SHARE:		
Primary	10,828,751	9,469,204
Fully dilutive	10,936,067	9,560,458
PRIMARY AND FULLY DILUTIVE EARNINGS (LOSS) PER SHARE	$ .01	$ (.01)

See notes to consolidated condensed financial statements.

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COLONIAL DATA TECHNOLOGIES CORP. AND SUBSIDIARY

CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 1992 (UNAUDITED) AND THE YEAR ENDED DECEMBER 31, 1991

(in thousands except share data)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
	SHARES	PAR VALUE			
BALANCE, December 31, 1991	9,823,050	$99	$3,329	$1,086	$4,514
NET INCOME	—	—	—	96	96
BALANCE, March 31, 1992	9,823,050	$99	$3,329	$1,182	$4,610

See notes to consolidated condensed financial statements.

COLONIAL DATA TECHNOLOGIES CORP. AND SUBSIDIARY

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(in thousands)

	1992	1991
	(Unaudited)	
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Net income (loss)	$ 96	$ (96)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	38	33
Gain on sale of fixed assets	(7)	
Changes in assets and liabilities:		
Accounts receivable	72	(90)
Merchandise under contract	480	
Inventories	(130)	9
Prepaid expenses	80	(7)
Accounts payable	(180)	211
Accrued liabilities	122	(116)
Net cash provided by operating activities	571	(56)
Cash flows from investing activities:		
Sale of fixed assets	107	
Capital expenditures	(179)	(6)
Net cash used in investing activities	(72)	(6)
Cash flows from financing activities:		
Net proceeds (repayments) of debt	(427)	51
Net cash used in financing activities	(427)	51
NET INCREASE (DECREASE) IN CASH	72	(11)
CASH AT BEGINNING PERIOD	7	16
CASH AT END OF PERIOD	$ 79	$ 5
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 3	$ 56
Income taxes	-	110

See notes to consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to consolidated financial statements included in the Annual Report on Form 10-K of Colonial Data Technologies Corp. and subsidiary (the "Company") for the year ended December 31, 1991. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992.

2. MERCHANDISE SOLD UNDER CONTRACT

On July 2, 1991, the Company entered into a sales agreement whereby the Company sold approximately 70% of its inventory as of June 30, 1991. The accounting treatment of this sale will be to recognize revenue upon the receipt of payments from the distributor and therefore $737,000 of revenue was recorded in the first quarter. Accordingly, the inventory sold under this contract is being shown in the consolidated balance sheet as "Merchandise Sold under Contract."

The aggregate selling price of the inventory amounted to approximately $3.5 million which is to be paid in 9 monthly installments of a minimum of $100,000 commencing October 1, 1991 with any unpaid amount due on July 1, 1992. However, if any inventory held by the buyer remains unsold as of July 1, 1992, the final payment for the unsold inventory will be deferred until December 31, 1992 and payment of monthly installments will be suspended.

3. INVENTORIES

Inventories consist of the following (in thousands):

	MARCH 31, 1992	DECEMBER 31, 1991
Raw materials	$ 211	$ 218
Finished goods	1,286	1,149
	$1,497	$1,367

4. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to selling, general and administrative expenses for the three months ended March 31, 1992 and 1991 amounted to $72,000 and $20,000, respectively.

5. COMMITMENTS

The Company was contingently liable for outstanding letters of credit totaling $300,000 at March 31, 1992.

6. MAJOR CUSTOMERS

Sales to three unrelated domestic customers were approximately 30%, 11% and 11% of total sales for the three months ended March 31, 1992.

* * * * *

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Colonial designs, develops and markets calling number identification ("Caller ID") displays, other telecommunications equipment and provides repair support services.

Sales for the quarter ended March 31, 1992 were $2,442,000 compared to sales of $1,273,000 in the prior year period. First quarter sales of Caller ID products were $1,755,000 in 1992 compared to $828,000 in 1991. Compared to 1991, first quarter 1992 telephone sales increased from $175,000 to $239,000 and service revenue increased from $270,000 to $448,000. The increase in sales was primarily attributable to increases in the volume of products and services sold. First quarter gross profit increased from $367,000 in 1991 to $742,000 in 1992 due to higher sales volume and margins improved from 29% to 30%.

The Company's ability to sell Caller ID products is dependent on a number of factors which are outside of the Company's control, including whether the seven Regional Bell Operating Companies ("RBOC's") and various independent telephone companies ("TELCO's") obtain regulatory approval to offer Caller ID service in their jurisdictions. Other factors include the timing of such approval; decisions by RBOC's and TELCO's to engage in early stocking of inventory in states where they believe regulatory approval is imminent; and the marketing efforts by the RBOC's and TELCO's in states where approval has been obtained. Because the Company has no control over the regulatory process or the activities of the RBOC's and TELCO's, it is not possible for the Company to anticipate trends in sales. Sales levels may continue to be unpredictable until Caller ID Service has been ruled on by regulatory agencies in all of the states and markets have stabilized. Approval to offer Caller ID service has been obtained by telephone companies in twenty-two states plus Washington, D.C. and Canada. The Company expects that currently pending Federal legislation to standardize Caller ID will eventually result in nationwide availability of the service as other telephone companies begin the approval process.

First quarter 1992 operating expenses were $576,000 compared to $467,000 in the prior year period. Higher commission expense payable on Caller ID unit sales plus additional salary expense from higher staffing levels accounted for the increase. An operating profit of $166,000 was earned in the first quarter of 1992 compared to a loss of $100,000 in the 1991 period.

During the first quarter of 1992, net other expense declined by $47,000 from the 1991 quarter mainly due to lower interest costs. Based on the factors noted above, pre-tax income and net income of $169,000 and $96,000 respectively were generated during the first quarter of 1992 compared to a pre-tax loss of $144,000 and a net loss of $96,000 in the prior year period.

Liquidity and Capital Resources

As of March 31, 1992, the Company's primary working capital requirement is to carry its inventory and merchandise sold under contract, which totalled $3,625,000 compared to $3,975,000 on December 31, 1991.

During 1991 the Company sold its remaining inventory of Caller ID products with the AT&T logo to an independent distributor. The accounting treatment of this sale of approximately $3,500,000 will be to recognize revenue upon receipt of payments from the distributor. $737,000 of revenue from this transaction was recorded during the first quarter of 1992. The distributor is obligated to pay in nine monthly installments of a minimum of $100,000 commencing on October 1, 1991, with any unpaid amount due on July 1, 1992. However, if any of the inventory remains unsold by the distributor as of July 1, 1992, the final payment will be due on December 31, 1992, and payment of monthly installments will be suspended.

In order to fund the working capital needs of the Company during the current year, including the need to bring newly developed products to market, the Company will rely on revenues generated from sales of existing inventory and borrowings available under its bank line of credit. The Company's line of credit is subject to renewal on April 30, 1993.

Research and development expenses for the remainder of fiscal year 1992 are expected to be comparable to those incurred in the same period of 1991. The Company currently has no material commitments for any capital expenditures.

The Company believes that inflation and changing prices have not had a material effect on the Company's sales and revenues.

//

PART II

Item 5. Other Information.

The Company filed a shelf registration statement on Form S-2 on January 2, 1992 relating to 1,523,000 shares of common stock which may be sold for the account of certain selling stockholders named therein from time to time at prices to be determined at the time of sale or the time any agreement to sell is made. The shares may be sold in one or more transactions at fixed prices, varying prices, or negotiated prices. Such prices will be determined by the selling stockholders or by an agreement between the selling stockholders and an underwriter or dealer. The Registration Statement was declared effective on April 7, 1992. None of the shares registered are for the account of the Company and the Company will not receive any proceeds from the sale of any of the shares except for the warrant exercise price of $1.25 per share for up to 163,000 shares issuable pursuant to common stock purchase warrants.

On March 19, 1992 the Company's common stock, par value $.01 per share, was listed on the American Stock Exchange - Emerging Company Marketplace. The Company's common stock was formerly quoted on the NASDAQ system.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

		Page
19.1	Amended and Restated By-laws of the Company as of April 22, 1992.	14
19.2	Amended Loan and Security Agreement, dated as of February 10, 1992 between The Connecticut National Bank and the Company.	30
19.3	Demand Note, dated as of February 10, 1992, from the Company to Connecticut National Bank.	44
19.4	Guaranty, dated April 3, 1992, from the Company to Connecticut National Bank.	46
19.5.	American Stock Exchange Listing Agreement	49

(b) The Company was not required to file a report on Form 8-K during the quarter ended March 31, 1992.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLONIAL DATA TECHNOLOGIES CORP.

By Wasco

Robert F. Wasco
Vice President-Finance
Treasurer, Clerk (Principal Accounting Officer) (Duly Authorized Officer)

Date: May 5, 1992

EXHIBIT 19.1

As of April 22, 1992

AMENDED AND RESTATED
BY-LAWS

OF

COLONIAL DATA TECHNOLOGIES CORP.,
a Massachusetts Corporation

ARTICLE I.

Articles of Organization

All provisions of these by-laws for the regulation and management of the affairs of the corporation shall be subject to such provisions in regard thereto, if any, as are set forth in the articles of organization as from time to time amended. All references in these by-laws to the articles of organization of the corporation, as amended and in effect from time to time.

ARTICLE II.

Place of Stockholders' Meetings

Meetings of the stockholders shall be held in Massachusetts or, to the extent permitted by the articles of organization, elsewhere in the United States as shall be determined from time to time by the president or the directors and stated in the notice of the meeting.

ARTICLE III.

Annual Meeting

There shall be an annual meeting of stockholders at the principal office of the corporation at 10:00 o'clock in the morning on the last Wednesday in May in each year, if it be not a legal holiday and if it be a legal holiday, then at the same hour on the next succeeding day not a legal holiday unless a different hour or place or both shall have been determined by the directors and stated in the notice of the meeting. Purposes for which an annual meeting is to be held additional to those prescribed by law, by the articles of organization and by these by-laws may be specified by the directors or by the president and shall be included in the notice of the meeting by the clerk, or, in case of the death, absence, incapacity or refusal of the clerk, by another officer upon written application by one or more stockholders who hold at least one-tenth part interest of the capital stock entitled to vote thereon. In the event an annual meeting has not been held on the date fixed in this article, a special meeting in lieu of the annual meeting may be held with all the force and effect of an annual meeting.

ARTICLE IV.

Special Meetings of Stockholders

Special meetings of stockholders may be called by the president or by the directors, and shall be called by the clerk, or, in case of the death, absence, incapacity or refusal of the clerk, by any other officer, upon written application of one or more stockholders who hold at least one-tenth part in interest of the capital stock entitled to vote thereat. Such call may be oral or written and shall state the time, place and purposes of the meeting.

ARTICLE V.

Notice of Stockholders' Meeting

A written notice of the place, date and hour of all meetings of stockholders, stating the purposes of the meeting, shall be given by the clerk (or other person empowered to call special meetings of stockholders) at least ten days before the meeting to each stockholder entitled to vote thereat and to each stockholder who, by law, the articles of organization or these by-laws, is entitled to such notice, by leaving such notice with him or at his residence or usual place of business, or by mailing it, postage prepaid, and addressed to such stockholder at his address as it appears in the records of the corporation. In case of the death, absence, incapacity or refusal of the clerk or such other person, such notice may be given by any other officer or by a person designated either by the clerk or by the person or persons calling the meeting or by the board of directors.

Whenever notice of a meeting is required to be given to a stockholder under any provisions of law, of the articles of organization or of these by-laws, a written waiver thereof, executed before or after the meeting by such stockholder or his attorney thereunto authorized and filed with the records of the meeting, shall be deemed equivalent to such notice.

ARTICLE VI.

Quorum of Stockholders

The holders of a majority in interest of all stock issued, outstanding and entitled to vote on any matter shall constitute a quorum with respect to such matter, but, if a quorum is not present, holders of a lesser interest may adjourn any meeting from time to time, and the meeting may be held as adjourned without further notice; except that, if two or more classes of stock are outstanding and entitled to vote as separate classes, then in the case of each such class, a quorum shall consist of the holders of a majority in interest of the stock of that class issued, outstanding and entitled to vote. Stock owned directly or indirectly by the corporation, if any, shall not be deemed outstanding for the purpose of determining a quorum.

ARTICLE VII.

Proxies and Voting

Stockholders entitled to vote shall have the number of votes specified in the articles of organization for each share of stock owned by them and a proportionate vote for a fractional share. Stockholders may vote in person or by written proxy dated not more than six months before the meeting named therein. Proxies shall be filed with the clerk of the meeting, or of any adjournment thereof, before being voted. Except as otherwise limited therein, proxies shall entitle the person named therein to vote at any meeting or adjournment of such meeting but shall not be valid after final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by any one of them unless at or prior to its exercise the corporation receives a specific written notice to the contrary from any one of them. A proxy purporting to be executed by or on behalf of a stockholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger.

When a quorum is present at any meeting, the holders of a majority of the stock represented thereat and entitled to vote on any question (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, the holders of a majority of the stock of that class represented thereat and entitled to vote on any question) other than an election by stockholders shall, except where a larger vote is required by law, by the articles of organization or by these by-laws, decide any question brought before such meeting. Any election by stockholders shall be determined by a plurality of the votes cast.

Any action to be taken by stockholders may be taken without a meeting if all stockholders entitled to vote on the matter consent to the action in writing and the written consents are filed with the records of the meetings of stockholders.

ARTICLE VIII.

Fixing Record Date

The directors may fix in advance a time which, unless a shorter period is provided in the articles of organization, shall not be more than sixty days before the date of any meeting of stockholders or the date for the payment of any dividend or the making of any distribution to stockholders or the last day on which the consent or dissent of stockholders may be effectively expressed for any purpose, as the record date for determining the stockholders having the right to notice of and to vote at such meeting and any adjournment thereof or the right to receive such dividend or distribution or the right to give such consent or dissent, and in such case only stockholders of record on such date shall have such right, notwithstanding any transfer of stock on the books of the corporation after the record date.

If no record date is fixed, the record date for determining stockholders having the right to notice of and to vote at any meeting of stockholders shall be the close of business on the day next preceding the day on which notice of such meeting is given and the record date for determining stockholders for any other purpose shall be the close of business on the day on which the board of directors acts with respect to such purpose.

ARTICLE IX.

Board of Directors

Except as conferred upon or reserved to the stockholders by law, the articles of organization or these by-laws, the business of the corporation shall be managed by a board of not less than three (except that whenever there shall be only two stockholders, the number of directors shall be not less than two and whenever there shall be only one stockholder or prior to the issuance of any stock, there shall be at least one director) nor more than nine directors as shall be fixed and elected at the annual meeting of stockholders by such stockholders as have the right to vote thereon. Any such election shall be by ballot if so requested by any stockholder entitled to vote thereon. During any year, the board of directors may be enlarged and additional directors elected to complete the enlarged number, to not more than the maximum number above specified, by the stockholders at any meeting or by a vote of a majority of the directors then in office. The stockholders may, at any meeting held for the purpose during such year, decrease to not fewer than the minimum number above specified, the number of directors as thus fixed or enlarged and remove directors to the decreased number.

Subject to the provisions of the articles of organization and to other provisions of these by-laws, each director shall hold office until the next annual meeting and until his successor is chosen and qualified. Any director may resign by delivering his written resignation to the corporation at its principal office or to the president, clerk, or secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

ARTICLE X.

Powers of Directors

The board of directors may exercise all the powers of the corporation except such as by law, by the articles of organization or by other provisions of these by-laws are conferred upon or reserved to the stockholders. In the event of a vacancy in the board of directors, the remaining directors, except as otherwise provided by law, may exercise all powers of the board until the vacancy is filled.

ARTICLE XI.

Committees

The directors may provide for an executive committee or other committees to be elected from and by the directors and, except as otherwise provided by law, may delegate to any such committee or committees such of the powers of the directors as the directors shall designate, may determine the tenure and composition of such committees, the manner of conducting committee business, the number of members required to constitute a quorum or required to take specified types of action and any or all of their other characteristics and authority. Except as the board of directors may otherwise determine, any such committee may make rules for the conduct of its business, but unless otherwise provided by the board of directors or in such rules, its business shall be conducted so far as possible in the same manner as is provided by these by-laws for the board of directors. All members of such committees shall hold such offices at the pleasure of the board of directors. The board of directors may abolish any such committee at any time. The board of directors shall have power to rescind any action of any committee, but no such rescission shall have retroactive effect.

ARTICLE XII.

Meetings of the Board of Directors and of Committees

Meetings of the directors may be held within or without Massachusetts.

Regular meetings of the directors may be held without notice if the time and place of such meetings are fixed by the board, provided that any director who is absent when the vote fixing such time and place is taken shall be given notice of such vote. A regular meeting of the directors may be held without call or formal notice immediately after, and at the same place as, the annual meeting of stockholders, or the special meeting of stockholders held in place of such annual meeting.

Special meetings of the directors may be held at any time and at any place when called, orally or in writing, by the president, treasurer, or two or more directors, reasonable notice thereof being given to each director by the secretary (or, if there be no secretary, by the clerk), or, in case of the death, absence, incapacity or refusal of the secretary (or the clerk, as the case may be), by the officer or directors calling the meeting. In any case, the sending of notice by mail, at least forty-eight hours, or by telegram, at least twenty-four hours, before the meeting, addressed to the directors at their usual or last known business or residence addresses, shall be deemed reasonable notice.

Notice of a meeting need not be given to any director, if a written waiver of notice, executed by him before or after the meeting, is filed with the records of the meeting, or to any director who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him. A notice or waiver of notice need not specify the purpose of any meeting of the directors.

Except as the articles of organization or other provisions of these by-laws otherwise provide, (a) any action required or permitted to be taken at any meeting of the directors or of any committee thereof may be taken without a meeting, if all members of the board or of such committee consent to the action in writing and the written consents are filed with the records of the meetings of the directors or committee, and such consents shall be treated for all purposes as a vote at a meeting; and (b) members of the board of directors or of any committee designated thereby may participate in a meeting of such board or committee by means of a conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at the meeting.

ARTICLE XIII.

Quorum of the Board of Directors

A majority of the board of directors then in office shall constitute a quorum for the transaction of business. A number less than a quorum may adjourn any meeting from time to time, and the meeting may be held as adjourned without further notice. When a quorum is present at any meeting, a majority of the directors present may take any action on behalf of the board except to the extent that a larger number is required by law, by the articles of organization or by other provisions of these by-laws.

ARTICLE XIV.

Officers and Agents

The officers of the corporation shall consist of a president, a treasurer and a clerk, and such other officers, including but not limited to one or more vice presidents and a secretary, as the directors may appoint. The president, who shall be a director, the treasurer and the clerk shall be elected by the directors at their first meeting following the annual meeting of the stockholders. The clerk shall be a resident of Massachusetts unless a resident agent of the corporation shall be appointed as permitted by law. So far as is permitted by law, any two or more offices may be filled by the same person. Subject to law, to the articles of organization and to other provisions of these by-laws, each officer elected by the directors shall hold office until the first meeting of the board of directors following the next annual meeting of the stockholders and until his successor is chosen and qualified. Any officer may resign by delivering his written resignation to the president, clerk, or secretary, and such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Any officer or agent of the corporation may be required by the directors to give bond in such amount and with such sureties as the directors may determine for the faithful performance of his duties. The premiums for such bonds may be paid by the corporation.

The directors may define the respective tenure, authority and duties of all officers and agents appointed by them except as other provisions of these by-laws may fix the tenure, authority or duties of any such officer.

ARTICLE XV.

The President

The president shall be the chief executive officer of the corporation and shall have the powers generally pertaining to that office, subject to the supervision and direction of the directors. Except as otherwise voted by the directors, he shall preside at all meetings of the stockholders and of the directors at which he is present. In addition, the president shall have such other powers and perform such other duties as the directors may from time to time prescribe.

ARTICLE XVI.

Vice President

In the absence of the president or in case of his inability to act, the senior vice president in length of service as vice president shall preside at all meetings of the stockholders and directors at which the president, if present, would have presided. Any vice president shall have such other powers and perform such other duties as the directors may from time to time prescribe.

ARTICLE XVII.

Treasurer and Assistant Treasurer

Subject to the supervision and direction of the directors, the treasurer shall have general charge of the financial concerns of the corporation and the care and custody of the funds and valuable papers of the corporation, except as the directors may otherwise provide. He shall keep, or cause to be kept, accurate books of account, which shall be the property of the corporation, and shall have such other powers and perform such other duties as the directors may from time to time prescribe.

Any assistant treasurer shall have such powers and perform such duties as the directors may from time to time prescribe.

ARTICLE XVIII.

Clerk and Assistant Clerk

The clerk shall record all proceedings of the stockholders, and, if no secretary is appointed, of the directors, in a book or books to be kept therefor.

The clerk shall also keep, or cause to be kept, in Massachusetts, the original, or attested copies, of the articles of organization, by-laws, and records of all meetings of incorporators and stockholders for inspection by stockholders at the principal office of the corporation or at the office of the clerk or of a transfer agent or the resident agent if any be appointed. Unless a transfer agent is appointed, the clerk shall also keep or cause to be kept at any such office the stock and transfer records, which shall contain the names of all stockholders and the record address and the amount of stock held by each, for inspection by stockholders. Any such inspection by a stockholder of the articles of organization, by-laws, records of meetings of the incorporators or stockholders, or the stock and transfer records must be at a reasonable time and for a proper purpose, but not to secure a list of stockholders for the purpose of selling said list or copies thereof or of using the same for a purpose other than in the interest of the applicant, as a stockholder, relative to the affairs of the corporation.

Said copies and records need not all be kept in the same office.

Any assistant clerk shall have the powers and perform the duties of the clerk in his absence or in case of his inability to act and shall have such other powers and duties as the directors may from time to time prescribe. If neither the clerk nor any assistant clerk is present at any meeting of the stockholders, a temporary clerk to be designated by the person presiding at the meeting shall perform the duties of the clerk.

ARTICLE XIX.

Secretary and Assistant Secretary

If a secretary is appointed, he shall record all proceedings of the directors in a book or books to be kept therefor. In the absence of the secretary at any such meeting, an assistant secretary, or, if none, a temporary secretary designated by the person presiding at the meeting shall record the proceedings of such meeting in the record book.

Any assistant secretary shall have the powers and perform the duties of the secretary in his absence or in case of his inability to act and shall have such other powers and duties as the directors may from time to time prescribe.

ARTICLE XX.

Removals

Except as the articles of organization provide otherwise, directors, including persons elected by directors to fill vacancies on the board, may be removed from their respective offices with or without cause by the vote of the holders of a majority of the shares entitled to vote in the election of such directors and such stockholders may likewise elect successors; provided, that the directors of a class elected by a particular class of stockholders may be removed, and their successors may be elected, only by the vote of the holders of a majority of the directors then in office; provided, that an officer may be removed for cause only after reasonable notice and opportunity to be heard by the board of directors. Directors may be removed from office for cause by vote of a majority of the directors then in office after reasonable notice and opportunity to be heard; vacancies so created may be filled by the directors pending the filling of such vacancies by such stockholders.

ARTICLE XXI.

Vacancies

Except as the articles of organization provide otherwise, any vacancy in the board of directors, however occurring, including a vacancy resulting from resignation of a director or enlargement of the board, and any vacancy in any other office, however occurring, may be filled by the directors or the remaining directors, though less than a quorum, unless such vacancy, if in the office of director, shall have been filled by the stockholders. Successors so elected shall hold office for the unexpired term, subject to the provisions of Article XX of these by-laws. In lieu of filling any vacancy in the board of directors, the stockholders, in accordance with Article IX of these by-laws, may reduce the number of directors, but not to a number less than three or less than the number of stockholders, if less than three.

ARTICLE XXII.

Certificates of Stock

Each stockholders shall be entitled to a certificate stating the number and the class and the designation of the series, if any, of the shares held by him in the corporation, and setting forth any other information required by law, in such form as shall, in conformity with law, be prescribed from time to time by the board of directors. Such certificate shall be signed by the president or a vice president and by the treasurer or an assistant treasurer. Such signatures may be facsimiles if the certificate is signed by a transfer agent or by a registrar, other than a director, officer, or employee of the corporation. In case any officer who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the time of its issue.

Every certificate for shares of stock which are subject to any restriction on transfer pursuant to the articles of organization, these by-laws or any agreement to which the corporation is a party, shall have the restriction noted conspicuously on the certificate and shall also set forth in the face or back either the full text of the restriction or a statement of the existence of such restriction and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge. Every certificate issued when the corporation is authorized to issue more than one class or series of stock shall set forth on its face or back either the full text of the preferences, voting powers, qualifications and special and relative rights of the shares of each class and series authorized to be issued or a statement of the existence of such preferences, powers, qualifications and rights, and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

ARTICLE XXIII.

Transfer of Shares of Stock

Subject to the restrictions on transfer, if any, imposed by the articles of organization or these by-laws, noted conspicuously on the certificate and set forth or referred to in the certificate in the manner required by law and these by-laws, and to notice of adverse claims afforded in the manner required by law, title to a certificate of stock and to the shares represented thereby may be transferred (with the effects provided by law) by delivery of the certificate, but such transfer shall be effective as to third persons only when an appropriate person shall have signed on it or on a separate document an assignment or transfer of such certificate and of the shares or any of them represented thereby or a power to assign or transfer them or when the signature of such person is written without more upon the back of such certificate. Such endorsement may be in blank or may specify the person to whom such certificate and shares are to be transferred or who has power to transfer it. When any certificate of stock is presented to the corporation with a request to register transfer of the same and of the shares represented thereby or any of them, the corporation shall register the transfer as requested if there are on or with such certificate the necessary endorsements aforesaid and if reasonable assurance is given to the corporation that such endorsements or assignments or power, one or more, are genuine and effective and if the corporation has no duty to inquire into adverse claims or has discharged such duty and if any and all applicable laws relating to the collection of taxes have been complied with and if such transfer is in fact rightful or is to a bona fide purchaser. Prior to due presentment for registration of such a transfer, the corporation may treat the registered owner appearing on its books as the person exclusively entitled to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner. Nothing herein contained shall be construed to affect the liability of the owner of shares registered on the books of the corporation for calls, assessments or the like.

It shall be the duty of each stockholder to notify the corporation of his post office address.

ARTICLE XXIV.

Loss of Certificate

The directors may, subject to law, determine the conditions upon which a new certificate of stock may be issued in place of any certificate alleged to have been lost, mutilated or destroyed. They may, in their discretion, require the owner of a lost, mutilated or destroyed certificate, or his legal representative, to give a bond, sufficient in their opinion, with or without surety, to indemnify the corporation against any loss or claim which may arise by reason of the issue of a certificate in place of such lost, mutilated or destroyed stock certificate.

ARTICLE XXV.

Issuance of Capital Stock

The board of directors shall have the authority, without offering the same or any part thereof to the stockholders for subscription, to issue or reserve for issue from time to time the whole or any part of the capital stock of the corporation which may be authorized from time to time, to such persons or organizations, whether or not stockholders of this corporation, for such consideration, whether cash, property, services or expenses, or as such stock dividends, and on such terms as the board of directors may determine, including without limitation the granting of options, warrants, or conversion or other rights to subscribe to said capital stock.

ARTICLE XXVI.

Seal

The board of directors shall have power to adopt and alter the form of seal of the corporation.

ARTICLE XXVII.

Execution of Papers

Except as the directors may generally or in particular cases authorize the execution thereof in some other manner, all deeds, leases, transfers, contracts, bonds, notes, checks, drafts and other obligations made, accepted or endorsed by the corporation shall be signed by the president or by the treasurer.

ARTICLE XXVIII.

Fiscal Year

Except as from time to time otherwise provided by the board of directors, the fiscal year of the corporation shall end on the last day of December of each year.

ARTICLE XXIX.

Voting of Securities of Other Corporations Held by This Corporation

Unless otherwise provided by the board of directors, the president or treasurer may waive notice of and act on behalf of this corporation, or appoint another person or persons to act as proxy or attorney in fact for this corporation with or without discretionary power or power of substitution, at any meeting of stockholders or shareholders of any other corporation or organization, any of whose securities are held by this corporation.

ARTICLE XXX.

Indemnification

The corporation shall, to the extent legally permissible, indemnify each of its directors and officers and persons who serve at its request as directors or officers of another organization in which it directly or indirectly owns shares or of which it is a creditor, against all liabilities (including expenses) imposed upon or reasonably incurred by him in connection with any action, suit or other proceeding in which he may be involved or with which he may be threatened, while in office or thereafter, by reason of his acts or omissions as such director or officer, unless in any proceeding he shall be finally adjudged not to have acted in good faith in the reasonable belief that his action was in the best interest of the corporation. If any claim, action, suit or proceeding in which such persons become involved as aforesaid is disposed of, on the merits or otherwise, without the disposition being adverse to such person, without a plea of guilty or of nolo contendere or its equivalent by such person and without adjudication that such person did not act in good faith in the reasonable belief that his action was in the best interests of the Company, he shall be considered for the purposes hereof to have been wholly successful with respect thereto and shall be entitled to indemnification hereunder as of right.

In all cases other than those with respect to which such person is entitled to indemnification as of right pursuant to the above paragraph, any indemnification hereunder shall be made as of right unless after investigation (a) by the Board of Directors by a majority vote of a quorum consisting of Directors who are not parties to such action, suit or proceeding, or (b) if such a quorum is not obtainable or, even in obtainable, a quorum of disinterested directors so directs, by written opinion of independent legal counsel (who may be the regular counsel of the Company), or (c) by the holders of a majority of the outstanding stock entitled to elect Directors, voting as a single class, exclusive of any stock owned by any interested Director, officer or trustee, it shall be determined by clear and convincing evidence that such person did not act in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company.

Such indemnification may include payment by the corporation of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of such action or proceeding, upon receipt of an undertaking by the person indemnified to repay such payment if he shall be adjudicated to be not entitled to indemnification. The right of indemnification hereby provided shall not be exclusive of or affect other rights to which any director or officer may be entitled. The corporation's obligation to provide indemnification under this Article shall be offset to the extent of any other source of indemnification or any otherwise applicable insurance coverage under a policy maintained by the corporation or any other person. As used in this paragraph, the terms "director" and "officer" include their respective heirs, executors and administrators, and an "interested" director or officer is one against whom as such the proceeding in question or another proceeding on the same or similar grounds is then pending.

Indemnification of employees and other agents of the corporation (including persons who serve at its request as employees or other agents of another organization in which it owns shares or of which it is a creditor) may be provided by the corporation to whatever extent shall be authorized by the directors before or after the occurrence of any event as to or in consequence of which indemnification may be sought. An indemnification to which a person is entitled under these provisions may be provided although the person to be indemnified is no longer a director, officer, employee or agent of the corporation or of such other organization.

ARTICLE XXXI.

Amendments

These by-laws may be amended or repealed and new by-laws may be made at any annual or special meeting of the stockholders called for the purpose, of which the notice shall specify the subject matter of the proposed alteration, amendment or repeal, or the articles to be affected thereby, except that no change in the date fixed for the annual meeting shall be made within sixty days before the date stated in Article III. Notice of any change in such date shall be given to all stockholders at least twenty days before the new day fixed for such meeting. If the articles of organization so provide, these by-laws may also be amended or repealed and new by-laws may be made at any time by vote of a majority of the directors then in office, except that no change may be made by the directors in the date fixed for the annual meeting of stockholders except in conformity with the foregoing provisions respecting such change made by the stockholders and except further that no by-law may be made, amended or repealed by the directors which alters the provisions of these by-laws with respect to the number, election or removal of directors of the amendment of these by-laws. Not later than the time of giving notice of the meeting, annual or special, of stockholders next following the making, amending or repealing by the directors of any by-laws, notice thereof stating the substance of such change shall be given to all stockholders entitled to vote on amending the by-laws. Any by-laws whether adopted by the stockholders or by the directors may be amended or repealed by the stockholders.

EXHIBIT 19.2

LOAN and SECURITY AGREEMENT

OFFICER INITIALS

CUSTOMER INITIALS

THIS AGREEMENT, dated as of Feb. 10, 1992 , between THE CONNECTICUT NATIONAL BANK (herein called "Bank") a national banking association having an office at 777 Main Street, Hartford, Connecticut and COLONIAL DATA TECHNOLOGIES CORP. (herein called "Borrower"), a Delaware corporation having its chief executive office and principal place of business at 80 Pickett District Road, New Milford, Connecticut.

WITNESSETH

Section 1. The Loans

1.1 The Loan. Pursuant to the terms of this Agreement and upon the satisfaction of the conditions precedent referred to in Section 3 hereof, the Bank will lend to the Borrower, and the Borrower will borrow from the Bank as follows (herein collectively "Loan") advances not to exceed the "Borrowing Base" which shall mean the lesser of (i) the principal amount of TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000) or (ii) EIGHTY PERCENT (80%) of the Eligible Receivables (as defined in Section 8.6 hereof) plus the lesser of FOUR HUNDRED THOUSAND DOLLARS ($400,000) or THIRTY (30%) PERCENT of Eligible Inventory (as defined in Section 8.6 hereof) of the Borrower (herein referred to as the "Line of Credit") during the period from the date hereof to April 30, 1993 (the "Termination Date") as evidenced by a demand promissory note (the "Note") in substantially the form of Exhibit I hereto, dated as of the date hereof. Borrower agrees that the aggregate amount shown as outstanding on Schedule 1 of the Demand Note from time to time shall constitute the amount owing to the Bank pursuant to this Section 1.1.

1.2 Advances. Each advance under the Line of Credit shall be made by a deposit to any of Borrower's accounts with the Bank.

1.3 Interest. The principal balance of the Line of Credit shall bear interest at a variable per annum rate equal to three-quarters of one (.75) percentage point in excess of the BASE RATE (as defined in Section 8.6 hereof) as in effect from time to time. Changes in the rate of interest resulting from changes in the BASE RATE shall take place immediately without notice or demand of any kind. Such interest shall be payable as specified in the Note. On default or after maturity, including any period after judgment has been rendered on the Note, the unpaid principal balance of the Note shall bear interest at a rate which is two (2) percentage points per annum greater than that which would otherwise be applicable.

1.4 Computation of Interest. All computations of interest on the Note shall be made on the basis of a 360-day year and actual days elapsed.

1.5 Payment of Principal and Interest. The Bank is authorized to charge principal and interest due under the Note to any account of the Borrower when and as it becomes due.

1.6 Late Charge. Bank may collect a "late charge" equal to five percent (5.00%) of (i) any installment of interest or any other amount (other than principal) due to the Bank which is not paid or reimbursed by the Borrower within ten (10) days of the due date thereof and (ii) any installment of principal due to the Bank which is not paid within ninety (90) days of the due date thereof, to cover the extra expense involved in handling such delinquent payments.

1.7 Closing Fee. The Borrower agrees to pay to the Bank a closing fee due on the date hereof equal to $12,500.

1.8 Additional Payments. If the Bank shall deem applicable to this Agreement, the Line of Credit or the Note (including, in each case, the borrowed and the unused portion thereof) any requirement of any law of the United States of America, any regulation, order, interpretation, ruling or official directive or guideline (whether or not having the force of law) of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation or any other board or or governmental or administrative agency of the United States of America which shall impose, increase, modify or make applicable thereto or cause to be included in, any reserve, special deposit, calculation used in the computation of regulatory capital standards, assessment or other requirement which imposes on the Bank any cost that is attributable to the maintenance thereof, then, and in each such event, the Borrower shall promptly pay the Bank, upon its demand, such amount as will compensate the Bank for any such cost, which determination may be based upon the Bank's reasonable allocation of the aggregate of such costs resulting from such events. In the event any such cost is a continuing cost, a fee payable to the Bank may be imposed upon the Borrower periodically for so long as any such cost is deemed applicable by the Bank, in an amount determined by the Bank to be necessary to compensate the Bank for any such cost. The determination by the Bank of the existence and amount of any such cost shall, in the absence of manifest error, be conclusive.

1.8 Optional Prepayments. The Borrower may prepay the Note, in whole or in part, at any time, without penalty or premium. Any such prepayment will be applied first to costs and expenses due to date, then to accrued interest to the date of the prepayment, then to the principal of the Line of Credit.

1.9 Mandatory Prepayment; Annual Clean-Up. The Borrower shall be required to prepay all advances made under the Line of Credit and to maintain a zero (0) principal balance outstanding under the Line of Credit for a period of thirty (30) consecutive days during each fiscal year of the Borrower.

1.10 Term of Line of Credit. The obligation of the Bank to make loan advances pursuant to the Line of Credit shall expire on the earlier of the Termination Date (as it may be extended pursuant to this Section 1.10) or the occurrence of an Event of Default. The Termination Date may be extended for successive periods of one year provided (i) no Event of Default has occurred and no event has occurred or is continuing which, with the giving of a notice or the passage of time, would constitute an Event of Default and (ii) the Bank and the Borrower each have consented in writing to such extension. Upon the Termination Date (as extended, if applicable) the principal balance due to the Bank under the Line of Credit, whether incurred under this Agreement, or any supplement or amendment hereto or otherwise, shall become immediately due and payable without notice or demand and all Letters of Credit issued by the Bank for the account of the Borrower must be tendered for cancellation. After the Termination Date, until the Line of Credit has been fully satisfied and all Letters of Credit issued for the account of the Borrower have expired or been tendered for cancellation (i) the Bank shall retain its security interest in all Collateral as hereinafter defined and (ii) except for those conditions providing for the making of advances or other extensions of credit by the Bank, all terms and conditions of this Agreement and the Related Agreements (as hereinafter defined) shall remain in full force and effect.

1.11 Grant of Security Interest. To secure payment and performance of the Borrower's Liabilities to the Bank, Borrower hereby grants to the Bank a security interest in all the Borrower's tangible and intangible personal property including, without limitation, the following:

(a) All inventory, machinery, equipment, fixtures, goods, accounts, accounts receivable, bank accounts, instruments, documents, chattel paper, general intangibles, and all other rights of the Borrower to receive payments, whether now owned or hereafter acquired or arising, and wherever located, including all accessions and accessories thereto, substitutes and replacements therefor and any interest now existing or hereafter arising with respect thereto, and all proceeds (including, without limitation, insurance and condemnation proceeds thereof) and products of the foregoing and including, without limitation, all property as more particularly described on Exhibit II attached hereto (herein the "Collateral"). As used in this Agreement, "Liabilities" or "Obligations" means any and all indebtedness, obligations and liabilities of Borrower to the Bank of every kind and description, direct or indirect, primary or secondary, absolute or contingent, due or to become due, now existing or hereafter arising, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, including, without limitation, the Line of Credit and all obligations of the Borrower to reimburse the Bank for amounts drawn under Letters of Credit issued by the Bank for the account of the Borrower and all costs incurred by Bank to obtain, protect, preserve and enforce this security interest, preserve, protect, collect and enforce the Liabilities, and obtain, maintain, protect and preserve the Collateral including, but not limited to, reasonable attorneys' fees and legal expenses.

(b) All patents, copyrights, tradenames, trademarks and all applications therefor, and licenses to any patent, copyright, tradename or trademark that the Borrower now owns, has the right to use or may hereafter own or acquire the right to use. The Bank's security interest, as set forth in this subparagraph 1.12(b) shall be limited to that interest necessary in order for the Bank to exercise or get the full benefit and value from the security interest set forth in subparagraph 1.12(a) hereof.

(c) The Uniform Commercial Code as adopted in Connecticut shall govern the security interest provided for herein. The Borrower shall take such steps and execute and deliver such financing statements, assignments and other papers as Bank may from time to time request. If, by reason of location of Collateral or otherwise, the creation, validity or perfection of security interests provided for herein are governed by the law of a jurisdiction other than Connecticut, the Borrower shall execute and deliver such papers as Bank may deem appropriate to comply with such law.

Section 2. Representations and Warranties

As a material inducement to the Bank to extend credit to the Borrower as provided herein, the Borrower hereby represents and warrants to the Bank (which representations and warranties will survive the delivery of the Note and the making of the loans and shall be deemed to be continuing until the Line of Credit is fully paid and this Agreement is terminated) that:

2.1 Corporate Existence and Power. The Borrower is, and will continue to be, a corporation duly incorporated and validly existing under the laws of the State of Connecticut and is duly qualified to do business in all other jurisdictions in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, and it has corporate power to make this Agreement and to borrow hereunder. The Borrower has all requisite permits, authorizations and licenses, without unusual restrictions or limitations, to own, operate and lease its properties and to conduct the business in which it is presently engaged, all of which are in full force and effect.

2.2 Corporate Authority. The making and performance by the Borrower of this Agreement and each and every other agreement, instrument or document required to be executed and delivered to the Bank by the Borrower pursuant to the terms hereof have been duly authorized by all necessary corporate action. The execution and delivery of this Agreement and each and every other agreement, instrument or document required to be executed and delivered to the Bank by the Borrower pursuant to the terms hereof, the consummation of the transactions herein and therein contemplated, the fulfillment of or compliance with the terms and provisions hereof and of each and every other instrument, agreement or document required to be executed and delivered to the Bank by the Borrower pursuant to the terms hereof, are within its powers and will not violate any provision of law or of its Certificate of Incorporation or By-Laws or result in the breach of, or constitute a default under, or result in the creation of any lien, charge or encumbrance upon any property or assets of the Borrower pursuant to any indenture or bank loan or credit agreement, other than pursuant to this Agreement, or other agreement or instrument to which the Borrower is a party or by which the Borrower is bound or by which any of its properties are affected. No approval, authorization, consent or other order of or registration or filing with any governmental body is required in connection with the making or performance of this Agreement, or the granting to the Bank of valid and effective first priority security interests in the Collateral.

2.3 Financial Condition. Each financial statement described in Schedule A hereto under the heading "Financial Statements," has been delivered to the Bank, was prepared in conformity with generally accepted accounting principles and practices consistently maintained throughout the period involved and is correct and complete and fairly presents the financial condition and the results of operations of the Borrower and its parent corporation, Colonial Data Technologies Corp., a Massachusetts corporation, on a consolidated basis for the period and as of the date thereof. The Borrower has no direct or contingent liabilities not disclosed in such statements or in Schedule A hereto under the heading "Liabilities Not Disclosed in Financial Statements." Since the date of the latest dated balance sheet included in said financial statement, there has been no material adverse change in the financial condition of the Borrower from that set forth and, except as disclosed to the

Bank in writing, no dividends or other distributions have been declared or made to stockholders, nor have any shares of its stock of any class been purchased or acquired in any manner.

2.4 Information Complete. Subject to any limitations stated therein, all information furnished or to be furnished by the Borrower pursuant to the terms hereof is, or will be at the time the same is furnished, accurate and complete in all material respects necessary in order to make the information furnished, in the light of the circumstances under which such information is furnished, not misleading.

2.5 Statutory Compliance. The Borrower is in compliance with all laws, ordinances, rules or regulations, applicable to it, of all federal, state or municipal governmental authorities, instrumentalities or agencies including, without limitation, the Employee Retirement Income Security Act of 1974, as amended, the United States Occupational Safety and Health Act of 1970, as amended, and all federal, state, county and municipal laws, ordinances, rules and regulations relating to the environment, as such may be amended.

2.6 Litigation. No proceedings by or before any private, public or governmental body, agency or authority and no litigation is pending, or, so far as is known to the Borrower or any of its officers, threatened against it except as disclosed in Schedule A hereto under the heading "Litigation, Pending or Threatened."

2.7 Subsidiaries, Affiliates. The Borrower has no Subsidiaries or Affiliates other than those shown on Schedule A attached hereto under the heading "Subsidiaries and Affiliates" which Schedule describes in detail the relationship with each such entity. The Borrower is not the record or beneficial owner of any stock, common or preferred, of any other corporation, other than a Subsidiary or Affiliate, which ownership is described on Schedule A, and there are no fixed, contingent or other obligations on the part of the Borrower to issue any additional shares of its capital stock.

2.8 Events of Default. No Event of Default has occurred, and no event has occurred or is continuing which, pursuant to the provisions of Section 6 hereof, with the lapse of time and/or the giving of notice, would constitute an Event of Default.

2.9 Use of Proceeds. The Borrower shall use the proceeds of the Line of Credit for its general commercial purposes, provided that no part of such proceeds will be used, in whole or in part, for the purpose of (i) acquiring all or substantially all of the assets or stock of any person, firm or corporation or (ii) purchasing or carrying any "margin security" as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System.

2.10 Validity. This Agreement, the Note and all Related Agreements (as hereinafter defined), upon the execution and delivery thereof, will each be legal, valid, binding and enforceable obligations of the Borrower in accordance with the terms of each.

2.11 Title to Property. The Borrower has good and marketable title to its properties and assets subject to no mortgage, security interest, pledge, lien, encumbrance or other charge not set forth in (a) Schedule A hereto under the heading "Liabilities Not Disclosed in Financial Statements" or (b) Section 5.1 hereinafter stated.

2.12 Taxes. The Borrower has filed all tax returns and reports required to be filed by it with all federal, state or municipal authorities and has paid in full or made adequate provision for the payment of all taxes, interest, penalties, assessments or deficiencies shown to be due or claimed to be due on or in respect of such tax returns and reports.

2.13 No Setoffs. All indebtedness to Borrower with respect to any accounts receivable contained in the Collateral is bona fide and valid and no setoffs or counterclaims exist against such indebtedness.

2.14 Business Name and Location. The Borrower conducts its business solely in its own name without the intervention of or through any other entity of any kind, other than as set forth on Schedule A under the heading "Subsidiaries, Affiliates and Trade Names". Schedule A under said heading further sets forth all trade names used by the Borrower during the pas years and the duration and the manner of such use. The chief executive where all books and records relating to the Collateral are located is Pickett District Road, New Milford, CT and there are no other locations the Borrower conducts business or where its assets are located.

Section 3. Conditions Precedent

A. The obligation of the Bank to make the initial advance under the L Credit is subject to the following conditions precedent:

3.1 Approval of Bank Counsel. All legal matters incident to the transactions hereby contemplated shall be satisfactory to counsel for the Bank;

3.2 Proof of Corporate Action. The Bank shall have received certified copies of all corporate action taken by the Borrower to authorize the execution and delivery of this Agreement and the Note and borrowing hereunder, such other papers as the Bank or its counsel shall reasonably request;

3.3 Related Agreements and Documents. The Borrower shall have delivered to the Bank the various agreements and documents described under the heading "Related Agreements" in Schedule A hereto (herein referred to as the "Related Agreements"); and

3.4 Opinion of Counsel. The Bank shall have received from counsel for the Borrower a written opinion, satisfactory to the Bank and its counsel.

B. The obligation of Bank to make the initial advance and each subsequent advance to be made by it under the Line of Credit is subject to the conditions precedent that:

3.5 No Event of Default. No Event of Default shall have occurred, and no event shall have occurred and be continuing which, pursuant to the provisions of Section 6, hereof which with the lapse of time and/or the giving of notice, would constitute an Event of Default;

3.6 No Material Adverse Change. There shall have been no material adverse change in the financial condition of the Borrower since the date of the latest financial statement delivered to the Bank; and

3.7 Representations and Warranties. The representations and warranties contained in Sections 2 hereof shall each be true and correct, and the Borrower, by its president, shall have so certified to the Bank. Any request for a borrowing shall be deemed a certification by the Borrower as to the truth and accuracy of the representations and warranties contained in Sections 2 as of the date of each such request.

Section 4. Affirmative Covenants

The Borrower covenants and agrees that from the date hereof until payment in full of the Liabilities and the termination of this Agreement, unless the Bank otherwise consents in writing, the Borrower shall:

4.1 Financial Statements. Deliver to the Bank (a) within forty five (45) days after close of each of the first three quarters of each fiscal year of the Borrower, a balance sheet of the Borrower as of the close of each quarter and statements of income and retained earnings for that portion of the fiscal year-to-date then ended, prepared in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding period or containing disclosure of the effect on financial position or results of operations of any change in the application of generally accepted accounting principles during the period, and certified by the president or the chief financial officer of the Borrower as accurate, true and correct; (b) within ninety (90) days after the close of each fiscal year of the Borrower, a balance sheet of the Borrower as of the close of such fiscal year and statements of income and retained earnings and source and application of funds for the year then ended, prepared in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year or containing disclosure of the effect on financial position or results of operations of any change in the application of accounting principles during the year accompanied by a report, thereon, containing an [illegible] opinion of a firm of independent certified public accountants

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selected by the Borrower and acceptable to the Bank; (c) promptly upon the Bank's written request, such other information about the financial condition and operations of the Borrower, or any Guarantor (if any), as the Bank may, from time to time, reasonably request; (d) within ninety (90) days after the close of each fiscal year of the Borrower, a balance sheet and statement of income of each Guarantor (if any) signed by such Guarantor and certified as true, accurate and complete; and (e) promptly upon becoming aware of any default, or any occurrence but for the giving of notice or the passage of time would constitute an event of default, the Borrower shall notify the Bank thereof in writing.

4.2 Insurance. (a) Keep its properties insured against fire and other hazards (so called "All Risk" coverage) in amounts and with companies satisfactory to the Bank to the same extent and covering such risks as is customary in the same or a similar business, but in no event in an amount less than the lesser of (i) the total indebtedness or (ii) the amount necessary to avoid any co-insurance penalty which policies shall name the Bank as loss payee as its interest may appear, (b) maintain public liability coverage against claims for personal injuries, death or property damage in an amount deemed reasonable by the Bank, which policy shall name the Bank as an additional insured, and (c) maintain all worker's compensation, employment or similar insurance as may be required by applicable law. Such All Risk property insurance coverage shall provide for a minimum of ten (10) days' written cancellation notice to the Bank. Borrower agrees to deliver copies of all of the aforesaid insurance policies to the Bank. In the event of any loss or damage to the Collateral, Borrower shall give immediate written notice to the Bank and to its insurers of such loss or damage and shall promptly file its proofs of loss with said insurers.

4.3 Tax and Other Liens. Comply with all statutes and federal, state and municipal regulations applicable to it, its business or its assets and pay all taxes, assessments, governmental charges or levies, or claims for labor, supplies, rent and other obligations made against it or its property which, if unpaid, might become a lien or charge against the Borrower or its property, except liabilities being contested in good faith with the prior written consent of the Bank and against which, if requested by the Bank, the Borrower shall maintain reserves in amount and in form (book, cash, bond or otherwise) satisfactory to the Bank.

4.4 Place of Business. Borrower's chief executive office and principal places of business are at the locations shown in Section 2.14, and the Borrower shall maintain its principal places of business and its chief executive office at said locations. Borrower shall promptly give Bank written notice of any change in such locations. The Collateral and business records pertaining to the Collateral, including those pertaining to all accounts, shall be kept at the address of Borrower's chief executive office as set forth in Section 2.14 unless prior written consent of Bank is obtained to a change thereof.

4.5 Collateral. Borrower shall (a) preserve the Collateral in good condition and order and not permit it to be abused or misused, (b) not allow any of the Collateral to be affixed to real estate, (c) until the occurrence of an Event of Default and upon contrary instructions from Bank, collect its accounts, (d) following the occurrence of an Event of Default and upon request of the Bank, pay or deliver all proceeds of Collateral to the Bank immediately upon receipt in the identical form received without commingling with other property, (e) following the occurrence of an Event of Default and when and to the extent required by the Bank, notify account debtors and obligors that their accounts, instruments, documents, contracts and all of the Borrower's rights to receive payments have been assigned to the Bank and shall be paid directly to the Bank, (f) take necessary steps to preserve the liability of account debtors, obligors, and secondary parties whose liabilities are part of the Collateral, (g) take any action required by the Bank with reference to the Federal Assignment of Claims Act, (h) allow the Bank to inspect Collateral and to inspect and copy all records relating to the Collateral, (i) immediately upon request by the Bank following the occurrence of an Event of Default: (A) transfer possession or permit the Bank to take possession of all Collateral; and (B) assign and/or allow the Bank to take possession of all instruments, and documents, which are part of the Collateral to the Bank immediately, or as to those hereafter acquired, immediately following acquisition, and (j) notify the Bank of any change of location or material adverse change in the condition of any of the Collateral, or in any fact or circumstance warranted or represented by Borrower herein, or furnished to the Bank, or if any Event of Default occurs.

4.6 Inspection. Allow the Bank by or through any of its officers, agents, attorneys, or accountants designated by it, for the purpose of ascertaining whether or not each and every provision hereof and of any Related Agreement, instrument or document is being performed and for the purpose of examining the Collateral and the records relating thereto, to enter the offices and plants of the Borrower to examine or inspect any of the properties, books and records or extracts therefrom, to make copies of such books and records or extracts therefrom, and to discuss the affairs, finances and accounts thereof with the officers, employees and agents of the Borrower and its accountants, all at such reasonable times and as often as the Bank may reasonably request.

4.7 Defend Collateral. Defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein and, in the event the Bank's security interest in the Collateral, or any part thereof, would be impaired by an adverse decision, allow the Bank to contest or defend any such claim or demand in the Borrower's name and Borrower agrees to pay, upon demand, the Bank's reasonable costs, charges and expenses, including, without limitation, attorney's fees, in connection therewith.

4.8 Financing Statements. From time to time, at the request of the Bank, execute, deliver and file one or more financing statements on Form UCC-1 or other instruments, and do all other acts as the Bank deems necessary or desirable to perfect fully or to keep perfected its security interest in the Collateral and pay, upon demand, all reasonable expenses, including, without limitation, attorney's fees, incurred by the Bank in connection therewith.

4.9 Litigation. Promptly advise the Bank of the commencement of or threat of litigation, including arbitration proceedings and any proceedings before any governmental agency, which might have an adverse affect upon the condition, (financial, operating or otherwise,) of the Borrower, or where the amount involved is $10,000 or more.

4.10 Maintenance of Existence. Continue to conduct its business as presently conducted, maintain its existence and comply with all valid and applicable statutes, rules and regulations, and maintain its properties in good repair, working order and operating condition. The Borrower shall immediately notify the Bank of any event causing material loss or unusual depreciation in the value of the Collateral and the amount of same.

4.11 Performance. Comply with all terms and conditions of this Agreement, the Related Agreements and the Note and pay all debts of the Borrower before the same shall become delinquent.

4.12 Covenant to Secure Equally and Ratably. Secure the Note or cause the Note to be secured equally and ratably with any and all indebtedness secured by any lien or encumbrance created after the date hereof by the Borrower or any Subsidiary upon any of its property or assets, whether now owned or hereafter acquired, other than liens or encumbrances permitted pursuant to Section 5.1 hereof. Nothing in this Section 4.12 shall be deemed to permit the incurring of indebtedness or the creation of liens or encumbrances not otherwise permitted hereunder.

Section 5. Negative Covenants

The Borrower covenants and agrees that until payment is made in full of the Liabilities and the termination of this Agreement, unless the Bank otherwise consents in writing, the Borrower shall not:

5.1 Encumbrances. Incur or permit to exist any lien, mortgage, charge or other encumbrance, against any of its property or assets, whether now owned or hereafter acquired, except: (a) liens required by this Agreement; (b) pledges or deposits in connection with or to secure worker's compensation, unemployment insurance, pensions, or other employee benefits; (c) tax liens which are being contested in good faith and in compliance with Section 4.3 hereof; and (d) purchase money security interests in specific items of machinery and equipment in an amount not to exceed the purchase price thereof and which lien covers only the specific item purchased.

5.2 Limitation on Indebtedness. Create or incur any indebtedness or obligation for borrowed money in excess of $250,000 (including indebtedness secured by liens permitted in Section 5.1(d) hereof) or issue or sell any obligations of the Borrower, excluding, however, from the operation of this covenant (a) the loan hereunder and all other liabilities of the Borrower to the Bank; and (b) indebtedness subordinated in payment and priority to all indebtedness of the Borrower to the Bank in writing and in form and substance satisfactory to the Bank.

5.3 Disposition of Collateral. Sell, lease, pledge or otherwise dispose of any of the Collateral or any of its other properties (other than sales from inventory in the ordinary course of its business as presently conducted) except for liens or encumbrances required or permitted hereby.

5.4 Contingent Liabilities. Assume, guarantee, endorse or otherwise become liable upon the obligations of any person, firm or corporation except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

5.5 Consolidation, Merger or Acquisition. Merge into or consolidate with or into any corporation or other entity; and, for the purposes of this clause 5.5, the acquisition by the Borrower of all or substantially all of the assets, together with the assumption of all or substantially all of the obligations and liabilities, of any corporation or entity shall be deemed to be a consolidation of such corporation or entity with the Borrower.

5.6 Loans, Advances, Investments. Purchase or otherwise acquire any shares of stock or obligations of, or make loans or advances to, or investments in, any individual, firm, entity or corporation in excess of $75,000 other than investments in direct obligations of the United States of America or certificates of deposit (or similar investments) offered by the Bank.

5.7 Acquisition of Stock of Borrower. Purchase, acquire, redeem or retire, or make any commitment to purchase, acquire, redeem or retire any of the capital stock of the Borrower, whether now or hereafter outstanding, in excess of $75,000 so long as no Event of Default has occurred hereunder or would occur after giving effect thereto.

5.8 Dividends. Declare or pay any dividend (unless payable in capital stock of the Borrower) or authorize or make any other distribution of any shares of capital stock of the Borrower, whether now or hereafter outstanding.

5.9 Capital Expenditures. Purchase or otherwise acquire capital assets or make any other capital expenditure (including capitalized leases and conditional sales contracts) in excess of $250,000 in any fiscal year on a non-cumulative basis.

5.10 Current Ratio. Permit the ratio of its total current assets to its total current liabilities to be less than 1.5 to 1.0 at any time, as determined in accordance with generally accepted accounting principles applied on a consistent basis with that of the fiscal year ending December 31, 1988.

5.11 Debt to Worth Ratio. Permit the ratio of its total liabilities to its tangible net worth to exceed 2.0 to 1.0 at any time, as determined in accordance with generally accepted accounting principles applied on a consistent basis with that of the fiscal year ending December 31, 1988.

5.12 Mandatory Prepayment; Annual Clean-Up. Permit any advances to be outstanding pursuant to the Line of Credit for a period of thirty (30) consecutive days during each fiscal year of the Borrower.

5.13 Transactions with Subsidiaries and Affiliates. Enter into, or be a party to, any transaction with any Subsidiary or Affiliate (including, without limitation, transactions involving the purchase, sale or exchange of property, the rendering of services or the sale of stock) except in the ordinary course of business pursuant to the reasonable requirements of the Borrower and upon fair and reasonable terms no less favorable to the Borrower than Borrower would obtain in a comparable arm's-length transaction with a person other than a Subsidiary or an Affiliate.

5.14 Change Name or Location. Change its corporate name or conduct its business under any trade name or style other than as set forth on Schedule A under the heading "Subsidiaries, Affiliates and Trade Names" or change its chief executive office, principal place of business or other places of business or the present locations of the Collateral or records relating to the Collateral from those locations set forth in Section 2.14.

5.15 Subsidiaries, Affiliates. Acquire, form or dispose of any Subsidiary or Affiliate or acquire all, or substantially all or any material portion of the stock or assets of any other person, firm, corporation, corporate division or business entity.

5.16 Remove Collateral. Remove any of the Collateral or the records relating thereto from the locations set forth in Section 2.14.

5.17 Management, Accounting Methods. Make or consent a material change in the stock ownership or capital structure of the Borrower or in the manner in which the business of the Borrower is conducted or in its method of accounting (including, without limitation, the basis of application of generally accepted accounting principals).

Section 6. Defaults

If any one or more of the following "Events of Default" shall occur:

6.1 Failure to make payment when due of the principal of the Note, or interest on the Note or any other Liability owing by the Borrower to the Bank, now existing or hereinafter incurred, whether direct or contingent; or

6.2 Failure by the Borrower to observe or perform any covenant contained in Section 4 or 5 hereof; or

6.3 Failure by the Borrower or any Guarantor to perform any act, duty, obligation or other agreement contained herein and not otherwise constituting an Event of Default hereunder which shall occur and continue without correction for seven (7) days following the Bank giving the Borrower notice thereof; or

6.4 Any representation or warranty made by the Borrower or any Guarantor herein or in any Related Agreement, or any statement, certificate or other data furnished by the Borrower or any Guarantor in connection herewith or with any Related Agreement, proves at any time to be incorrect in any material respect; or

6.5 Any judgment for the payment of money shall be rendered against the Borrower, and any such judgment shall remain unsatisfied and in effect for any period of thirty (30) consecutive days without a stay of execution or shall be executed upon or any attachment or garnishment is placed on any property or asset of the Borrower and is not removed within thirty (30) days; or

6.6 The Borrower or any Guarantor shall (1) apply for or consent to the appointment of a receiver, trustee or liquidator of all or a substantial part of any of its assets; (2) be unable, or admit in writing its inability, to pay its debts as they mature; (3) file or permit the filing of any petition, case, arrangement, reorganization, or the like under any insolvency or bankruptcy law, or the adjudication of it as a bankrupt, or the making of an assignment for the benefit of creditors or the consenting to any form of arrangement for the satisfaction, settlement or delay of debt or the appointment of a receiver for all or any part of its properties; or (4) any action shall be taken by the Borrower or any Guarantor for the purpose of effecting any of the foregoing; or

6.7 An order, judgment or decree shall be entered, or a case shall be commenced, against the Borrower or any Guarantor, without the application, approval or consent of the Borrower or any Guarantor by any court of competent jurisdiction, approving a petition or permitting the commencement of a case seeking reorganization or liquidation of the Borrower or any Guarantor or appointing a receiver, trustee or liquidator of the Borrower or any Guarantor or of all or a substantial part of the assets of the Borrower or any Guarantor, and Borrower or any Guarantor, by any act, indicates its approval thereof, consent thereto, or acquiescence therein, or such order, judgment, decree or case shall continue unstayed and in effect for any period of thirty (30) consecutive days; or

6.8 If the Borrower or any Guarantor shall dissolve or liquidate, or be dissolved or liquidated, or cease to legally exist, or merge or consolidate, or be merged or consolidated with or into any other corporation; or

6.9 If any Guarantor shall die and within 30 days thereof the Borrower has not furnished collateral satisfactory to the Bank or obtained the Bank's written waiver of this Section 6.9 with respect to the death of such Guarantor;

6.10 Failure by the Borrower or by any Guarantor to pay any other indebtedness or obligation, or if any such other indebtedness or obligation shall be accelerated, or if there exists any event of default under any instrument, document or agreement governing, evidencing or securing such other indebtedness or obligation; or

6.11 If, at any time, the Bank believes in good faith that the prospect of payment of any obligation or the performance of any agreement of the Borrower or any Guarantor is impaired, or there is such a change in the condition or affairs (financial or otherwise) of the Borrower or any Guarantor as the Bank believes in good faith impairs the Bank's security (if any) or increases its risk;

then, and in any such event, the Bank may declare the then outstanding principal balance and all interest accrued on the Note and all applicable penalties and surcharges and other Liabilities to the Bank of the Borrower and any Guarantor to be forthwith due and payable, whereupon the same shall become forthwith due and payable, and any commitment of the Bank to continue to advance funds hereunder shall automatically terminate, all of the foregoing without presentment or demand for payment, notice of non payment, protest or any other notice or demand of any kind, all of which are expressly waived by the Borrower and by each Guarantor.

Section 7. POWER TO SELL OR COLLECT COLLATERAL.

7.1 Liquidation of Collateral. Upon the occurrence of an Event of Default, all Liabilities shall, at Bank's sole option, become immediately due and payable, anything in any note evidencing any such Liability or in this Agreement or in any other agreement to the contrary notwithstanding, without notice to Borrower, and Bank shall have all the rights and remedies of a secured party under the Uniform Commercial Code, as adopted in Connecticut, and all other legal and equitable rights to which it may be entitled. Further, the Bank may:

(i) settle, compromise or release, on terms acceptable to the Bank, in whole or in part, any amounts owing on accounts receivable and to enforce payment and prosecute any action or proceeding with respect to any and all accounts receivable,

(ii) extend the time of payment, make allowances and adjustments and to issue credits in the Bank's name or in the name of Borrower,

(iii) foreclose the liens and security interests created under this Agreement or under any other agreement relating to any of the Collateral by any available judicial procedure or without judicial process, to enter any premises where any of the Collateral may be located for the purpose of taking possession of or removing the same,

(iv) sell, assign, lease or otherwise dispose of the Collateral or any part thereof, either at public or private sale or at any broker's board, upon such terms as shall be acceptable to the Bank, all at the Bank's sole option and as the Bank, in its sole discretion, may deem advisable and the Bank may bid or become purchaser at any such sale if public, free from any right of redemption which is hereby expressly waived by Borrower, and the Bank shall have the right, at its option, to apply or be credited with the amount of all or any part of the Liabilities owing to the Bank against the purchase price bid by the Bank at any such sale.

7.2 Application of Proceeds. The net cash proceeds resulting from the collection, liquidation, sale, lease or other disposition of Collateral shall be applied first to the expenses (including all reasonable attorneys' fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting, liquidating and the like, and then to the satisfaction of all

Liabilities, application as the particular Liabilities or against principal or interest to be in the Bank's discretion. Borrower shall be liable to the Bank and shall pay the Bank on demand any deficiency which may remain after such sale, disposition, collection or liquidation of Collateral, and the Bank in turn agrees to remit to Borrower any surplus remaining after all Liabilities have been paid in full.

7.3 Assemble Collateral. Under the occurrence of an Event of Default, the Borrower will, at the Bank's request, assemble all Collateral and make it available to the Bank at places which the Bank may select whether at premises of Borrower or elsewhere, and will make available to the Bank all premises and facilities of Borrower for the purpose of Bank's taking possession of Collateral or of removing or putting the Collateral in saleable form.

7.4 Power of Attorney. To facilitate the exercise by the Bank of the rights and remedies set forth in this Section 7, Borrower hereby constitutes Bank or its agents, or any other person whom Bank may designate, as attorney-in-fact for Borrower, at Borrower's own cost and expense, to exercise all or any of the following powers, which being coupled witH an interest, shall be irrevocable, shall continue until all Liabilities have been paid in full and shall be in addition to any other rights and remedies that the Bank may have:

(i) to remove from any premises where the same may be located, any and all documents, instruments, files and records, and any receptacles and cabinets containing the same, relating to Collateral, and the Bank may, at Borrower's cost and expense, use such of the personnel, supplies and space of Borrower at its place of business as may be necessary to properly administer and control the Collateral or the handling of collections and realizations thereon;

(ii) to receive, open and dispose of all mail addressed to Borrower and to notify postal authorities to change the address for delivery thereof to such address as the Bank may designate;

(iii) to take or bring, in the Bank's name or in the name of Borrower, all steps, actions, suits or proceedings deemed by the Bank necessary or desirable to effect collection of or to realize upon the Collateral; and

(iv) to collect or withdraw all sums of money or other solvent credits Borrower may have to its credit with any banking institution.

Section 8. Miscellaneous

8.1 Waivers.

(a) Borrower and each Guarantor hereby waives presentment, demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to this Agreement, the Related Agreements, the Liabilities and the Collateral, Borrower and each Guarantor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of the Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Bank may deem advisable. The Bank shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof. The Bank may exercise its rights with respect to the Collateral without resorting or regard to other collateral or sources of reimbursement for liability. The Bank shall not be deemed to have waived any of its rights upon or under Liabilities or the Collateral unless such waiver be in writing and signed by the Bank. No delay or omission on the part of the Bank in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. The Bank may revoke any permission or waiver previously granted to Borrower or any Guarantor, such revocation shall be effective whether given orally or in writing. All rights and remedies of the Bank with respect to this Agreement, the Related Agreements, the Liabilities or the Collateral, whether evidenced hereby or by any other instrument or document, shall be cumulative and may be exercised singularly or concurrently.

(b) THE BORROWER AND EACH GUARANTOR HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY PROCEEDING HEREAFTER INSTITUTED BY OR AGAINST THE BORROWER OR ANY GUARANTOR IN RESPECT OF THIS AGREEMENT, THE NOTE OR ANY RELATED AGREEMENT.

(c) THE BORROWER AND EACH GUARANTOR HEREBY ACKNOWLEDGE THAT THE TRANSACTION OF WHICH THIS AGREEMENT IS A PART IS A COMMERCIAL TRANSACTION, AND HEREBY WAIVES ITS RIGHT TO NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, OR AS OTHERWISE ALLOWED BY ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH BANK OR ITS SUCCESSORS OR ASSIGNS MAY DESIRE TO USE and further, waives diligence, demand, presentation of payment, notice of nonpayment, protest and notice of protest, and notice of any renewals or extension and all rights under any statutes of limitation.

(d) Borrower and each Guarantor hereby give Bank a lien and right of setoff for all Borrower's liabilities upon and against all the deposits, credits, collateral and property of Borrower and Guarantor, now or hereafter in the possession or control of Bank or in transit to it. Bank may, upon the occurrence of an Event of Default, as defined in this Agreement, or upon the occurrence of any event or condition which would constitute such an Event of Default but for the requirement that notice be given or time elapse or both, apply or set-off the same, or any part thereof, to any liability of Borrower or any Guarantor, even though unmatured.

8.2 Notices. All notices, requests or demands to or upon a party to this Agreement shall be given or made by the other party hereto in writing and by depositing in the mails postage prepaid, return receipt requested addressed to the addressee at the address set forth above. No other method of giving any notice, request or demand is hereby precluded.

8.3 Expenses. The Borrower will pay all expenses arising out of the preparation, administration, amendment, protection, collection and/or other enforcement of this Agreement, the Related Agreements, the Collateral or security interest granted hereunder or thereunder and the Note (including, without limitation, reasonable counsels' fees).

8.4 Compliance. The determination of the Borrower's compliance with all covenants contained in this Agreement or the Notes shall be based on the application of generally accepted accounting principles employed by the Borrower in the preparation of its certified financial statements dated December 31, 1988 unless otherwise subsequently and specifically agreed to in writing by the Bank.

8.5 Stamp Tax. The Borrower will pay any stamp or other tax which becomes payable in respect of the Notes, this Agreement or the Related Agreements.

8.6 Certain Definition. As used herein (a) the term "Base Rate" shall mean the interest rate announced by the Bank from time to time as its Base Rate, (b) the term "Subsidiary" shall mean any corporation, a majority of whose outstanding stock having ordinary voting powers for the election of directors, shall at any time be owned or controlled by the Borrower or one or more of its subsidiaries; (c) the term "Affiliate" shall mean any person, or corporation which directly or indirectly controls, or is controlled by, or is under common control with the Borrower; and (d) the term "Guarantor" shall mean any guarantor, endorser or surety of any Obligation of the Borrower to the Bank. For purposes of Section 8.6(c), control shall be deemed to exist if any person, entity or corporation, or combination thereof shall have possession, directly or indirectly, of the power to direct the management or policies of any person, entity, or corporation and shall include any holder of 25% or more of any stock or other interest in any person, entity or corporation, whether such holding is direct or indirect.

8.7 Schedule A. Schedule A which is attached hereto is and shall constitute a part of this Agreement.

8.8 Connecticut Law. This Agreement, the Related Agreements and the rights and obligations of the parties hereunder and thereunder and under the Notes shall be construed and interpreted in accordance with the law of Connecticut. The Borrower and each Guarantor hereby acknowledge that the underlying transactions to which this Agreement and the Related Agreements relate concerns the making, now or in the future of loans and advances to the Borrower and that said obligations of the Borrower and each Guarantor are primarily to be performed in the State of Connecticut. The Borrower and each Guarantor agrees that the execution of this Agreement and the Related Agreements and the rights and obligations of the parties hereunder and thereunder shall be deemed to have a Connecticut situs and the Borrower and each Guarantor shall be subject to the personal jurisdiction of the courts of the State of Connecticut with respect to any action the Bank, its successors or assigns, may commence hereunder. Accordingly, the Borrower and each Guarantor hereby specifically and irrevocably consents to the jurisdiction of the courts of the State of Connecticut with respect to all matters concerning this Agreement, the Related Agreements, the Note or the enforcement of any of the foregoing.

8.9 Survival of Representations. All representations, warranties, covenants and agreements herein contained or made in writing in connection with this Agreement and the security interests and rights herein contained shall survive the execution and delivery of the Note, shall continue in full force and effect until all amounts payable on account of the Note, the Liabilities, the Related Agreements and this Agreement shall have been paid in full and this Agreement has been terminated.

8.10 Severability. If any provision of this Agreement is invalid or unenforceable under applicable law, such provision is and will be totally ineffective to that extent, but the remaining provisions of this Agreement shall be unaffected.

8.11 Modifications. No modification or amendment hereof shall be effective unless same shall be in writing and signed by the parties hereto.

8.12 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Borrower, the Bank and their respective successors and assigns.

8.13 Termination of this Agreement. This Agreement shall terminate upon (i) the written agreement of the parties hereto to the termination of any obligation of the Bank to make advances under the Line of Credit and (ii) payment in full of all Obligations due hereunder or under the Related Agreements and under the Note and (iii) the expiration of all Letters of Credit issued by the Bank for the account of the Borrower or the tendering for cancellation of all such Letters of Credit.

IN WITNESS WHEREOF, the parties hereto have caused this Loan and Security Agreement to be duly executed on the day and year first above written.

Signed, Sealed and Delivered
in the Presence of the undersigned as witnesses to all
signatories:

Linda Quinn

[illegible] Lindsay

THE CONNECTICUT NATIONAL BANK

By ______________________
Jody M. Staszesky
Its: Vice President

COLONIAL DATA TECHNOLOGIES CORP.

By ______________________
Its: CHIEF FINANCIAL OFFICER

R.F. WASCO

EXHIBIT II

Debtor:	Secured Party:
Colonial Data Technologies Corp. 80 Pickett District Road New Milford, Connecticut	The Connecticut National Bank 777 Main Street MSN ____ Hartford, Connecticut 06115

(i) All inventory of the Debtor, now owned or hereafter acquired, including, but not limited to, all goods, merchandise, raw materials, work in process and finished goods and products and other tangible personal property now owned or hereafter acquired by the Debtor and held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in the Debtor's business;

(ii) All accounts, accounts receivable, notes, drafts, acceptances or other forms of obligations and receivables now or hereafter received by or belonging to the Debtor for inventory sold or for services rendered by it whether or not earned by performance, together with all guarantees and security therefor and all proceeds thereof, whether cash proceeds or otherwise of Debtor, whether or not the same be listed on any schedules, assignments or reports furnished to Secured Party from time to time;

(iii) All contract rights of the Debtor, now existing or hereafter arising;

(iv) All interest of the Debtor, now existing or hereafter arising in goods or merchandise as to which an account receivable for goods sold or delivered has arisen;

(v) All goods, instruments, documents, documents of title, policies and certificates of insurance, securities, chattel paper, deposits, cash or other property owned by the Debtor or in which it has an interest including, but not limited to, all property allocable to unshipped orders and all merchandise returned by or reclaimed by or repossessed from customers, all rights of stoppage in transit, replevin, repossession and reclamation and all other rights of an unpaid vendor or lienor;

(vi) All bank accounts, including, but not limited to, deposit accounts, now existing or hereafter arising, together with the right to withdraw from said accounts and make deposits to the same;

(vii) All equipment, machinery and personal property and fixtures now owned or used, or hereafter acquired, all accessions thereto and substitutions thereof, including, but not by way of limitation, all tools, dies, molds and similar assets, furniture and furnishings;

(viii) All general intangibles, now existing or hereafter owned or acquired, including, but not limited to, patents, patent applications, trademarks, trademark registrations and applications therefor, trade names, trade processes, copyrights, copyright registrations and applications therefor, and all licenses and franchises, and corporate name and good will of Debtor's business and all rights to payment;

(ix) Proceeds (including, without limitation, insurance and condemnation proceeds) and products of all of the foregoing and insurance proceeds thereof.

(x) The aforesaid fixtures are located at the Debtor's above-mentioned business address location, the record owner of which and the description thereof is given hereinbelow:

Record Owner(s):

Description: See Schedule "I" attached hereto and made a part hereof.

EXHIBIT 19.3

EXHIBIT I

DEMAND NOTE

$2,500,000

Dated as of February 10, 1992

ON DEMAND, FOR VALUE RECEIVED, the undersigned, COLONIAL DATA TECHNOLOGIES CORP., a Connecticut corporation (the "Borrower") hereby promises to pay to the order of THE CONNECTICUT NATIONAL BANK (the "Bank"), at the office of the Bank located at 777 Main Street, Hartford, Connecticut, the principal sum of TWO MILLION FIVE THOUSAND DOLLARS ($2,500,000), or, if less, the aggregate unpaid amount of all advances made by the Bank to the Borrower under the Line of Credit (as defined in the Agreement referred to below) together with interest on all unpaid balances beginning as of the date hereof, at a variable rate per annum of three-quarters of one (.75) percentage point above the interest rate as announced by the Bank from time to time as its Base Rate (the "Base Rate") on a floating basis computed and payable monthly on the first day of each month during the term hereof and upon payment in full on the basis of a three hundred sixty (360) day year and actual days elapsed. On the date hereof, the Base Rate is 6.50% per annum and this Note accordingly shall bear interest at the rate of 7.25% per annum and until the Base Rate shall change, whereupon the rate of interest borne by this Note shall change accordingly. Borrower agrees that the interest shall accrue at the rate of two (2) percentage points above the foregoing rate on the unpaid balances after maturity, by acceleration or otherwise, including any period after which judgment has been rendered on this Note. This Note is payable on DEMAND, but if not sooner demanded, shall be due and payable not later than April 30, 1993 (the "Termination Date").

All payments shall be applied first to the payment of interest on the unpaid principal of this Note and the balance on account of the principal of this Note. The Bank is authorized, but not required, to charge principal and interest due on this Note to any account of the Borrower when and as it becomes due.

Bank may collect a "late charge" equal to five percent (5.00%) of any installment of interest or principal, or of any other amount the Bank which is not paid or reimbursed by the Borrower within ten (10) days of the due date thereof to cover the extra expense involved in handling such delinquent payment. The minimum late charge shall be $15.00.

Borrower may prepay this Note in whole or in part at any time without penalty. Any and all prepayments shall be credited first to accrued interest to the date of the prepayment and then to the unpaid principal of this Note.

The Borrower must prepay this Note to the extent the outstanding principal balance hereunder at any time exceeds the Borrowing Base as defined in the Commercial Revolving Loan and Security Agreement.

The Borrower must prepay all advances made hereunder and maintain a zero (0) principal balance outstanding hereunder for a period of thirty (30) consecutive days during each fiscal year.

Each of the following shall constitute an "Event of Default" hereunder: (1) Failure of Borrower to pay or perform any of Borrower's liabilities or obligations to Bank (whether under this Note or otherwise) when due to be paid or performed; (2) default by the Borrower or by any endorser, guarantor or surety of any obligations of the Borrower to the Bank, in the payment of any other indebtedness or obligation, or if any such other indebtedness or obligation shall be accelerated, or if there exists any event of default under any instrument, document or agreement evidencing or securing such other indebtedness or obligation; (3) any material adverse change in the financial condition of Borrower or any guarantor or endorser hereof; (4) failure by Borrower to comply with the terms of, or the occurrence of default under the Loan and Security Agreement of even date herewith or under any other mortgage or security agreement which may now or hereafter secure this Note; (5) sale or other disposition of or encumbrance on or the making of any levy, seizure or attachment of any collateral which may now or hereafter secure this Note; or

CUSTOMER INITIALS

CUSTOMER INITIALS

OFFICER INITIALS

OFFICER INITIALS

(6) incompetency of, dissolution of, termination of the existence of, insolvency of, business failure of, application for or appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding (whether for the purpose of liquidation or rehabilitation or otherwise) under any bankruptcy or insolvency laws by or against Borrower or of, by, or against any guarantor or endorser of any of Borrower's liabilities or obligations to Bank (whether under this Note or otherwise).

This Note has been executed and delivered pursuant to the Loan and Security Agreement dated as of May 1, 1992 (the "Agreement") between the Borrower and the Bank and evidences advances made by the Bank pursuant to the Line of Credit (as defined therein), which advances shall be entered by the Bank on Schedule I attached hereto. Reference is made to said Agreement for a description of additional rights of the Bank and duties of the Borrower hereunder.

Borrower and each Guarantor of this Note agree to pay all taxes levied or assessed upon this Note and to pay all costs, expenses and attorneys' fees incurred by Bank in any proceedings for collection, protection, defense or enforcement of this Note, in realizing on or disposing of collateral given under any mortgage, chattel mortgage, or other security agreement securing this Note or in protecting or sustaining this Note, any agreement or instrument evidencing, governing or securing this Note or the security interest given in said mortgage, chattel mortgage, or other security interest, now or hereafter securing this Note or in any litigation arising out of the transactions of which this Note is a part. Borrower and each Guarantor of this Note hereby give Bank a lien and right of setoff for all Borrower's liabilities upon and against all the deposits, credits, collateral and property of Borrower and Guarantor, now or hereafter in the possession or control of Bank or in transit to it. Bank may, in the event of default, as defined in the said Loan and Security Agreement, or upon the occurrence of any event or condition which would constitute such an event of default but for the requirement that notice be given or time elapse or both, apply or set-off the same, or any part thereof, to any liability of Borrower or any Guarantor, even though unmatured.

BORROWER AND EACH GUARANTOR HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY PROCEEDINGS HEREAFTER INSTITUTED BY OR AGAINST THE BORROWER IN RESPECT OF THIS NOTE, THE LOAN AND SECURITY AGREEMENT OR THE RELATED AGREEMENTS AS DEFINED THEREIN.

BORROWER AND EACH GUARANTOR OF THIS NOTE ACKNOWLEDGE THAT THE LOAN EVIDENCED BY THIS NOTE IS A COMMERCIAL TRANSACTION AND WAIVE THEIR RIGHTS TO NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, OR AS OTHERWISE ALLOWED BY THE LAW OF ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH BANK MAY DESIRE TO USE, and further, waive diligence, demand, presentment for payment, notice of nonpayment, protest and notice of protest, and notice of any renewals or extensions of this Note, and all rights under any statute of limitations, and agree that the time for payment of this Note may be changed and extended at Bank's sole discretion, without impairing their liability thereon, and further consent to the release of all or any part of the security for the payment hereof at the discretion of Bank, or the release of any party liable for this obligation without affecting the liability of the other parties hereto. Any delay on the part of the Bank in exercising any right hereunder shall not operate as a waiver of any such right, and any waiver granted for one occasion shall not operate as a waiver in the event of any subsequent default.

This Note shall bind the heirs, executors, administrators, successors and assigns of each Borrower and all Guarantors hereto and shall inure to the benefit of the Bank, its successors and assigns.

This Note shall be governed by and construed in accordance with the laws of the State of Connecticut.

COLONIAL DATA TECHNOLOGIES CORP.

By ______________________

Its Chief Financial Officer

R.F. Wasco

EXHIBIT 19.4

GUARANTY BY CORPORATION

TO: THE CONNECTICUT NATIONAL BANK
777 Main Street
Hartford, Conn. 06115

Gentlemen:

In consideration of your having made or making, now or in the future, loans, advances, or otherwise giving credit to COLONIAL DATA TECHNOLOGIES CORP., a Delaware corporation, (hereinafter called the "Borrower"), the undersigned hereby unconditionally guarantees to you full and prompt payment at maturity (including any accelerated maturity), or if now due, prompt payment when demanded by the Bank, of any and all liabilities owed to you by the Borrower. As used herein, "liabilities" or "obligations" means any and all liabilities of the Borrower to you of every kind and description, direct or indirect, primary and secondary, absolute or contingent, due or to become due, now existing or hereafter arising, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, irrespective of the validity or enforceability of any instrument, writing or arrangement relating to any of the liabilities, including, without limitation, all costs and expenses including attorneys' fees incurred with respect to the validity, enforceability or preservation of the liabilities hereby guarantied. The undersigned further agrees to pay all costs and expenses, including attorneys' fees, arising out of or with respect to the validity, enforceability or preservation of this Guaranty Agreement.

The undersigned further guarantees that all payments made by the Borrower to you with respect to any liabilities hereby guaranteed will, when made, be final and agrees that if any such payment is recovered from, or repaid by, you in whole or in part in any bankruptcy, insolvency or similar proceeding instituted by or against the Borrower, this guaranty shall continue to be fully applicable to such liabilities to the same extent as though the payment so recovered or repaid had never been originally made on such liabilities.

The undersigned hereby waives demand of payment, presentment of any instrument, protest, and notice of non-payment or protest and of your acceptance of this guaranty and of any loans made, extensions granted or other action taken in reliance hereon and all other demands and notices of any description in connection with this guaranty, on liabilities or otherwise, and all rights under any statute of limitations. The undersigned specifically waives notice of any disposition of any collateral after default and the undersigned shall remain liable on the liabilities notwithstanding any claim that the disposition of any collateral was not commercially reasonable. The undersigned shall have no right of subrogation, reimbursement or indemnity whatsoever and no right of recourse to or with respect to any assets or property of the Borrower or to any collateral for the liabilities and obligations of the Borrower to you.

THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY PROCEEDINGS HEREAFTER INSTITUTED BY OR AGAINST THE UNDERSIGNED IN RESPECT OF THIS GUARANTY, ANY COLLATERAL SECURING THIS GUARANTY OR ANY OBLIGATIONS OF THE BORROWER GUARANTEED HEREUNDER.

Upon any default of the Borrower, the liability of the undersigned shall be effective immediately and payable on demand without any suit or action against the Borrower or any other guarantor of the liabilities or obligations. No delay or omission on your part in exercising any right hereunder shall operate as a waiver of such right or any other right; a waiver on one occasion shall not be a bar to or waiver of any right on any other occasion.

THE LIABILITY OF THE UNDERSIGNED WITH RESPECT TO ANY LIABILITY SHALL NOT BE TERMINATED BY, AND THE UNDERSIGNED ASSENTS TO ANY EXTENSION OR POSTPONEMENT OF THE TIME OF PAYMENT OR ANY OTHER INDULGENCE, ANY MODIFICATION, WAIVER OR AMENDMENT OF THE TERMS OF ANY AGREEMENT RELATING TO LIABILITIES, ANY SUBSTITUTION, EXCHANGE OR RELEASE OF COLLATERAL, THE ADDITION OR RELEASE OF

ANY PARTY PRIMARILY OR SECONDARILY LIABLE INCLUDING ANY OF THE UNDERSIGNED, WHETHER OR NOT NOTICE THEREOF IS GIVEN TO THE UNDERSIGNED. YOU SHALL HAVE NO DUTY TO COLLECT OR PROTECT ANY COLLATERAL OR ANY INCOME THEREON, NOR TO PRESERVE ANY RIGHTS AGAINST OTHER PARTIES, AND YOU MAY PROCEED UNDER THIS GUARANTY IMMEDIATELY UPON BORROWER'S DEFAULT WITHOUT RESORTING TO OR REGARD TO ANY COLLATERAL OR ANY OTHER GUARANTY OR SOURCE OF PAYMENT.

This is a continuing guaranty and shall remain in full force and effect and be binding upon the undersigned until written notice sent by registered or certified mail, addressed to THE CONNECTICUT NATIONAL BANK, 777 Main Street, Hartford, Connecticut 06115, Attention: Manager, Credit Department, of its revocation shall actually be received by you. No such revocation shall release the undersigned or affect in any manner your rights under this guaranty with respect to any obligation of the Borrower to you (including any renewal, modification, extension or other refinancing thereof) incurred or undertaken prior to actual receipt by you of such written notice of revocation and any such revocation by one of the undersigned shall not affect the continuing liabilities hereunder of such of the undersigned as do not give such notice of revocation. If any of the present or future obligations are guaranteed by persons, partnerships or corporations in addition to the undersigned, the release or discharge in whole or in part or the death, bankruptcy, liquidation or dissolution of one or more of them shall not discharge or affect the liabilities of the undersigned under this guaranty.

You shall have a security interest in any and all deposits, instruments, securities or other property of the undersigned which are now or may in the future come into your possession, as collateral for the liabilities of the undersigned pursuant to this guaranty.

You shall have a lien upon and a right of set-off against any and all deposits and other property of the undersigned, now or hereafter in your possession or control for all liabilities of the undersigned pursuant to this guaranty.

The undersigned acknowledges that the underlying transaction to which this guaranty relates concerns your having made or making, now or in the future, at your option, loans and advances, or otherwise giving credit to the Borrower, and that said obligations of the Borrower and this guaranty are primarily to be performed in the State of Connecticut. The undersigned further acknowledges that it will materially and directly or indirectly, receive financial benefit from said underlying transactions. The undersigned agrees that the execution of this guaranty and performance of guarantor's liabilities hereunder shall be deemed to have a Connecticut situs and the undersigned shall be subject to the personal jurisdiction of the Courts of the State of Connecticut with respect to any action you, your successors or assigns, may commence hereunder. Accordingly, the undersigned hereby specifically and irrevocably consents to the jurisdiction of the Courts of the State of Connecticut with respect to all matters concerning this guaranty or the enforcement thereof.

THE UNDERSIGNED ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS GUARANTY IS A PART IS A COMMERCIAL TRANSACTION, AND HEREBY WAIVES ITS RIGHT TO NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUES, OR AS OTHERWISE ALLOWED BY THE LAW OF ANY STATE OR FEDERAL LAW, WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH YOU, YOUR SUCCESSORS OR ASSIGNS MAY DESIRE TO USE.

This guaranty shall inure to the benefit of you, your successors and assigns, and it shall be binding upon the undersigned, its successors and assigns.

This writing is intended by the parties as a final expression of this Guaranty Agreement and is intended also as a complete and exclusive statement of the terms of this Guaranty. No course of dealing between the parties, no usage of the trade and no parol or extrinsic evidence of any nature shall be used or be relavent to supplement, explain or modify any term used herein.

This Agreement is intended to take effect as a sealed instrument and its validity and construction shall be determined by the laws of the State of Connecticut.

In Witness Whereof, the undersigned has caused this instrument to be duly executed by its proper officer(s) this 3RD day of APRIL, 1992.

Attest:

Its: Secretary

COLONIAL DATA TECHNOLOGIES CORP.,
a Massachusetts corporation

By
Duly Authorized
Title:

State of)
) ss.
County of)

On this the 3RD day of APRIL, 1992 before me, personally appeared ROBERT J. SCHOCK who acknowledged himself to be the PRESIDENT & C.E.O. of COLONIAL DATA TECHNOLOGIES a corporation, and that he, as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as PRESIDENT & C.E.O..

In Witness Whereof I hereunto set my hand.

Notary Public
My Commission expires 1997

EXHIBIT 19.5

ECM
EMERGING COMPANY
MARKETPLACE®

Listing Agreement
(ECM®-1)

Colonial Data Technologies Corp., a Masschusetts corporation (the "Company"), in consideration of the listing of its securities on the Emerging Company Marketplace, hereby agrees with the American Stock Exchange, Inc. (the "Exchange"), that it will:

1. Promptly notify the Exchange of any change in the form or nature of any listed security or in the rights and privileges of the holders of such security, at least twenty days in advance of such change.

2. Take appropriate steps to ensure that no securities are sold in its behalf in reliance upon the exemption from state securities registration which is otherwise available to companies listed on the American Stock Exchange.

3. In accordance with the Exchange's timely disclosure policies, make prompt public disclosure of any material development in the Company's affairs and operations, whether favorable or unfavorable, which might significantly affect the market for its securities or influence investment decisions.

4. Upon request, furnish to the Exchange such information concerning the Company as the Exchange may reasonably require.

5. Hold meetings of its shareholders annually to elect directors and to take action on other matters and to solicit proxies for all such meetings (conforming to the proxy rules of the Securities and Exchange Commission).

6. Publish and mail to the holders of listed securities (and file copies with the Exchange), at least ten days before the annual meeting and not later than four months after the close of the fiscal year, an annual report containing audited financial statements prepared in conformity with the requirements of the Securities and Exchange Commission.

7. Publish (and file with the Exchange) quarterly statements of sales and earnings on the basis of the same degree of consolidation as the annual report. Such statements should disclose any substantial items of unusual or nonrecurrent nature and will show net income before and after federal income taxes.

8. File with the Exchange: (a) proposed amendments to, and certified copies of, the Certificate of Incorporation, By-laws or other similar organization documents, (b) copies of all SEC filings, and (c) all material sent to shareholders or released to the press.

9. Maintain:

(a) a transfer office or agency, satisfactory to the Exchange under Exchange Rule 891, where

(i) all securities of the Company listed on the Exchange shall be transferable and where dividends and all other payments with respect to such securities shall be payable; and

(ii) a security listed on the Exchange which is convertible will be accepted for conversion.

(b) a registry office (a corporation) satisfactory to the Exchange, where all securities of the Company listed on the Exchange shall be registrable.

10. Comply with Exchange rules, policies and procedures as in effect and as they may be amended from time to time.

The above agreement has been signed by me as Vice President and Chief Financial Officer
(Title)

of Colonial Data Technologies Corp. pursuant to authority granted me
(Name of Company)

by resolution of the Board of Directors of said corporation adopted on March 3, 1992

COLONIAL DATA TECHNOLOGIES CORP.

Dated March 5, 1992

By
(Please print name under signature)
R.F. WASCO

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF

SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended February 29, 1992. Commission File No. 0-6744.

CROWNAMERICA, INC.
(Exact Name of Registrant as Specified in its Charter)

Georgia
(State of Incorporation)

58-0210840
(I.R.S. Employer Identification Number)

701 Chattanooga Avenue, Dalton, Georgia
(Address of Principal Executive Offices)

30720
(Zip Code)

Registrant's Telephone Number: (404) 278-1422

Not Applicable
Former name, former address, and fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes: X No: __

The number of shares outstanding of common stock as of February 29, 1992 was 1,053,000.

This report contains 10 pages. No exhibit index is included because no exhibits are required to be furnished.

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PART I

Financial Information

CROWNAMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

	Six Months Ended		Three Months Ended	
	February 29, 1992	March 2, 1991	February 29, 1992	March 2, 1991
	(Thousands of Dollars, Except Per Share Data)			
Net sales and processing income	$ 31,630	$ 33,319	$ 14,312	$ 14,551
Cost of products sold	29,855	31,074	13,593	13,929
	1,775	2,245	719	622
Selling and administrative expenses	2,098	2,185	1,098	1,022
	(323)	60	(379)	(400)
Other charges (credits):				
Interest expense	302	290	157	162
Other income net of other deductions	(76)	(1,530)	79	(94)
	226	(1,240)	236	68
Income (loss) before income taxes	(549)	1,301	(615)	(468)
Income tax expense (refund)	(260)	469	(228)	(142)
NET INCOME (LOSS)	$ (289)	$ 832	$ (387)	$ (326)
Earnings (loss) per share of common stock	$ (.27)	$ .79	$ (.37)	$ (.31)
Dividends per share	-0-	.25	-0-	.10
Average number of common shares outstanding	1,053,000	1,053,000	1,053,000	1,053,000

CROWNAMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

	February 29, 1992	August 31, 1991
ASSETS		
CURRENT ASSETS		
Cash	$ 4,368	$ 106,319
Short Term Investments	62,084	545,742
Accounts receivable less allowance of $151,652 on March 2, 1991 and on August 31, 1990	8,157,496	8,033,514
Inventories	3,035,097	3,364,377
Prepaid expenses	900,182	526,808
Refundable income taxes	281,683	---
TOTAL CURRENT ASSETS	12,440,910	12,576,760
OTHER ASSETS	123,689	171,655
PROPERTY, PLANT AND EQUIPMENT	29,097,650	28,003,610
Less allowance for depreciation	(14,235,980)	(12,458,841)
TOTAL FIXED ASSETS	14,861,670	15,544,769
TOTAL ASSETS	$27,426,269	$ 28,293,184

CROWNAMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS (CONT'D)
(Unaudited)

	February 29, 1992	August 31, 1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 2,853,975	$4,867,885
Notes payable	4,248,540	2,916,259
Accrued compensation	569,019	588,239
Accrued interest	74,982	56,080
Income taxes payable	-0-	35,317
Other accrued expenses	827,530	702,384
Current portion of long-term debt and capitalized lease obligations	709,530	644,637
TOTAL CURRENT LIABILITIES	9,283,576	9,810,801
LONG-TERM DEBT, less current portion	1,689,460	1,748,150
CAPITALIZED LEASE OBLIGATIONS, less current portion	372,195	559,103
DEFERRED INCOME TAXES	217,000	217,000
SHAREHOLDERS' EQUITY		
Common stock	2,106,000	2,106,000
Additional paid-in capital	933,406	933,406
Retained earnings	11,802,720	12,091,788
Equity adjustment from foreign currency translation	1,021,912	826,936
TOTAL SHAREHOLDERS' EQUITY	15,864,038	15,958,130
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 27,426,269	$ 28,293,184

CROWNAMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
(Unaudited)

	FOR THE SIX MONTHS ENDING	
	February 29, 1992	March 2, 1991
OPERATING ACTIVITIES:		
Net Income (Loss)	$ (289,068)	$ 832,342
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,377,852	1,212,209
Gain on sale of property	-0-	(1,446,930)
Changes in operating assets and liabilities:		
Accounts receivable	(123,982)	221,315
Inventory	329,280	1,749,923
Prepaid expenses	(373,374)	(256,295)
Other assets	47,966	95,846
Accounts payable and accrued expenses	(1,889,082)	(1,088,253)
Income taxes	(317,000)	259,891
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,237,408)	1,580,048
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(369,337)	(4,520,885)
Proceeds from the sale of property, plant and equipment	-0-	3,900,000
NET CASH USED IN INVESTING ACTIVITIES	(369,337)	(620,885)

FINANCING ACTIVITIES:

Proceeds from notes payable, long-term debt and capitalized lease obligations	16,203,659	15,963,650
Principal payments on notes payable, long-term debt and capitalized lease obligations	(15,368,880)	(17,319,550)
Dividends paid	-0-	(263,251)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	834,779	(1,619,151)
Effect of exchange rate changes on cash	186,357	(614,075)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(585,609)	(1,274,062)
Cash and cash equivalents at beginning of period	652,061	2,246,762
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 66,452	$ 972,700

See Notes to Consolidated Condensed Financial Statements

CROWNAMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED

CONDENSED FINANCIAL STATEMENTS
(unaudited)
(February 29, 1992)

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included, and all such adjustments are of a normal recurring nature. Operating results for the six-month period ended February 29, 1992 are not necessarily indicative of the results that may be expected for the year ending August 31, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the registrant's annual report on Form 10-K for the year ended August 31, 1991.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management of the registrant believes that its financial condition is sound and that its present working capital, together with any future profits and its ability to borrow on a satisfactory basis from others, will meet its needs for liquidity both on a short-term and a long-term basis.

At the end of the first quarter of the current fiscal year the ratio of current assets to current liabilities was 1.3, the same ratio that existed at the end of the preceding fiscal year.

The Dutch plant's performance in the second quarter was only satisfactory but, because of a strong first quarter, results for the first six months were good. Although the results at the Dalton plant were weak due to the above impact of the recession, the registrant believes as the U.S. economy strengthens, improvement in its domestic business will also occur.

Results for the first six months of the prior fiscal year included an after-tax profit of $900,000 from the sale in November, 1990 of the plant in Valdosta, Georgia.

During the first six months of prior fiscal year, the European operations were profitable but U.S. product demand was weak.

PART II

Other Information

Items 1 through 5

Inapplicable

Item 6

Exhibits and Reports on Form 8-K

(a) No exhibits are required to be filed pursuant to Item 601 of Regulation S-K, and none have been filed.

(b) No report on Form 8-K was required to be filed and none was filed during the first six months of the current fiscal year.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CROWNAMERICA, INC.

Date: April 13, 1992

By: ______________________
G. Lane Hamilton, President
and Treasurer

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SECURITIES AND EXCHANGE COMMISSION

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

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0-35796

For the quarter ended March 31, 1992

PROCESSED BY
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Commission File No.

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FIFTH DIMENSION INC.

(Exact Name of Registrant as Specified in its Charter)

New Jersey	21-0717490
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

801 New York Avenue, Trenton, New Jersey	08638
(Address of Principal Executive Office)	(Zip Code)

Registrant's Telephone Number, Including Area Code (609) 393-8350

Indicate by check mark whether the Registrant (1) has filed all reports required to filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of March 31, 1992 the Registrant had outstanding 1,093,636 shares of Common Stock $.33 1/3 par value.

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FIFTH DIMENSION INC.

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FIFTH DIMENSION INC.

BALANCE SHEET

(UNAUDITED)

	MARCH 31, 1992	DECEMBER 31, 1991
ASSETS		
CURRENT ASSETS:		
Cash and Short-Term Investments	$ 549,458.	$ 227,105.
Accounts Receivable - Net	198,344.	689,319.
Inventories	969,541.	897,735.
Prepaid Expenses	86,568.	113,160.
Prepaid Income Taxes	41,471.	54,531.
Total Current Assets	1,845,382.	1,981,850.
PROPERTY, PLANT AND EQUIPMENT - Net of Accumulated Depreciation	699,004.	660,756.
TOTAL ASSETS	$2,544,386.	$2,642,606.
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes & Mortgages Payable - Current Portion	$ 82,839.	$ 85,756.
Accounts Payable	114,247.	185,516.
Accrued Expenses and Payroll Taxes	22,465.	35,953.
Accrued Compensation and Vacation	130,005.	156,840.
Income Taxes Payable	-	-
Total Current Liabilities	349,556.	464,065.
LONG-TERM LIABILITIES:		
Notes and Mortgages Payable	21,682.	34,305.
DEFERRED INCOME TAXES	31,969.	31,263.
TOTAL LIABILITIES	403,207.	529,633.
STOCKHOLDERS' EQUITY:		
Common Stock - ($.50 Par Value)	364,936.	364,936.
Additional Paid-In Capital	403,663.	403,663.
Treasury Stock - At Cost	(604.)	(604.)
Retained Earnings	1,373,184.	1,344,978.
TOTAL STOCKHOLDERS' EQUITY	2,141,179.	2,112,973.
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,544,386.	$2,642,606.

FIFTH DIMENSION INC.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

(UNAUDITED)

	QUARTER ENDED MARCH 31	
	1992	1991
NET SALES	$ 981,903.	$ 990,060.
COST OF SALES	717,795.	669,091.
GROSS PROFIT ON SALES	264,108.	320,969.
OPERATING EXPENSES	223,638.	209,616.
INTEREST EXPENSE	2,168.	2,750.
OPERATING INCOME	38,302.	108,603.
OTHER INCOME (EXPENSE)	3,669.	2,746.
INCOME BEFORE TAXES	41,971.	111,349.
PROVISION FOR INCOME TAXES	13,765.	40,970.
NET INCOME	28,206.	70,379.
RETAINED EARNINGS AT BEGINNING OF PERIOD	1,344,978.	1,228,409.
RETAINED EARNINGS AT END OF PERIOD	$1,373,184.	$1,298,788.
NET INCOME PER COMMON SHARE*	$ .03	$ .06
WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING*	1,093,636.	1,093,636.

* 1991 restated for 3 for 2 stock split April 15, 1991.

FIFTH DIMENSION, INC.

STATEMENT OF CASH FLOWS

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 28,206.	$ 70,379.
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation Expense	20,981.	22,500.
(Increase) Decrease in Accounts Receivable	490,975.	6,940.
(Increase) Decrease in Inventory	(71,806.)	(1,553.)
(Increase) Decrease in Prepaid Expenses and Taxes	39,652.	(17,831.)
Increase (Decrease) in Accounts Payable	(71,269.)	(138,112.)
Increase (Decrease) in Accrued Expenses and Taxes	(40,323.)	(81,559.)
Increase (Decrease) in Deferred Income Taxes	706.	426.
	368,916.	(209,189.)
Net Cash Provided (Used) by Operating Activities	397,122.	(138,810.)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(59,229.)	(16,729.)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Notes/Mortgage	(15,540.)	(10,550.)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	322,353.	(166,089.)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	227,105.	3[illegible]2,[illegible]99.
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 549,458.	$ 176,9[illegible]

FIFTH DIMENSION INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1992

NOTE #1 **INVENTORIES**

On an interim basis, the cost of goods sold and resulting inventory valuation is calculated using the gross profit method. A physical inventory is taken December 31 of each year and a distribution into raw materials, work in process and finished goods is only available at that time.

PART 1 - ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Registrant reported net income of $28,206 for the first quarter of 1992. The decrease from the first quarter of 1991 is primarily attributable to increases in direct and manufacturing overhead costs on various contracts during the first quarter of the current year. Sales for the first quarter of 1992 amounted to $981,903 which is slightly less than 1991 sales of $990,060. Operating expenses increased during the current quarter primarily as a result of increases in overhead payroll and legal fees. Interest costs have continued to decline as long-term debt is reduced by regular payments.

Cash balances increased during the quarter due to a significant decrease in accounts receivable. A portion of the cash generated was used to reduce accounts payable and to fund the purchase of $59,229 of capital expenditures during the quarter.

No other changes have occurred which would have a material effect on the liquidity, financial condition or results of operations of the Registrant.

FIFTH DIMENSION INC.

SIGNATURE

The information furnished herewith reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The undersigned is presently acting in the capacity of principal financial officer of the Registrant in addition to his stated position.

FIFTH DIMENSION INC.
(Registrant)

BY Sheldon Bitko
Sheldon Bitko
President

May 4, 1992
Date

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 25, 1992 Commission File Number 000-16791

HOMESTYLE BUFFET, INC.

(Exact name of registrant as specified in its charter)

FLORIDA	59-2736736
(State or other jurisdiction of incorporation or organization)	(IRS employer identification no.)

35207 U.S. Highway 19 North
Palm Harbor, FL 34684

(Address of principal executive offices including zip code)

(813) 785-1370
(Registrant's telephone number, including area code)

Indicate by a check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety (90) days.

Yes (X) No (   )

The number of shares outstanding of registrants' Common Stock, par value $.01 per share, at March 25, 1992 was 5,942,319.

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HOMESTYLE BUFFET, INC.

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PART I FINANCIAL INFORMATION

Item 1: FINANCIAL STATEMENTS

HOMESTYLE BUFFET, INC.

BALANCE SHEETS

At March 25, 1992 and January 1, 1992

ASSETS

	March 25 1992 (unaudited)	January 1, 1992
Current assets:		
Cash and investments	$ 2,998,515	$ 2,822,258
Receivables	432,790	1,360,429
Inventory	842,120	827,924
Income tax refund receivable	868,580	868,580
Prepaid expenses and other	296,747	328,279
Total current assets	5,438,752	6,207,470
Property and equipment, at cost, net of accumulated depreciation	25,676,611	25,940,685
Deposits and other assets	309,910	327,588
Total Assets	$31,425,273	$32,475,743

See accompanying notes to financial statements

HOMESTYLE BUFFET, INC.

BALANCE SHEETS (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 25 1992 (unaudited)	January 1, 1992
Current liabilities:		
Accounts payable	$ 2,306,852	$ 2,732,430
Current portion of obligations under capital leases	138,467	138,467
Accrued expenses	2,816,292	3,455,722
Income taxes payable	11,130	-
Total current liabilities	5,272,741	6,326,619
Obligations under capital leases, excluding current portion	821,458	855,455
Deferred income taxes payable	253,811	252,081
Total liabilities	6,348,010	7,434,155
Stockholders' equity		
Common stock, $.01 par value, authorized 10,000,000 shares, issued 5,942,319 shares at March 25, 1992, 5,939,599 shares at January 1, 1992	59,423	59,396
Additional paid in capital	25,356,362	25,351,901
(Accumulated deficit)	(338,522)	(369,709)
Total stockholders' equity	25,077,263	25,041,588
Total Liabilities and Stockholders' Equity	$31,425,273	$32,475,743

See accompanying notes to financial statements

HOMESTYLE BUFFET, INC.

STATEMENTS OF OPERATIONS

For the Twelve Weeks
Ended March 25, 1992 and March 27, 1991
(unaudited)

	First Quarter	
	March 25, 1992	March 27, 1991
Restaurant sales	$12,277,681	$11,157,896
Cost of restaurant sales	10,802,953	9,980,760
Restaurant profit	1,474,728	1,177,136
Selling, general and administrative expenses	1,407,157	861,827
Provision for restaurant closings (Note 4)	-	(63,753)
Operating income	67,571	379,062
Other income (expense)	(16,827)	67,668
Earnings before income taxes	50,744	446,730
Income tax expense	19,557	171,294
Net earnings	$ 31,187	$ 275,436
Net earnings per share of common stock (Note 2)	$ .01	$ .05
Weighted average common and common equivalent shares outstanding	5,997,441	5,974,483

See accompanying notes to financial statements

HOMESTYLE BUFFET, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

For the Twelve Weeks Ended
March 25, 1992
(unaudited)

	Common Stock		Additional Paid in Capital	(Accumulated Deficit)	Total Stockholders Equity
	Shares	Amount			
Balances at January 1, 1992	5,939,599	$59,396	$25,351,901	$(369,709)	$25,041,588
Sale of common stock, net of underwriting costs	-	-	-	-	-
Exercise of stock options	2,720	27	4,461	-	4,488
Net Earnings	-	-	-	31,187	31,187
Balances at March 25, 1992	5,942,319	$59,423	$25,356,362	$(338,522)	$25,077,263

See accompanying notes to financial statements

HOMESTYLE BUFFET, INC.

STATEMENTS OF CASH FLOWS

For the Twelve Weeks ended March 25, 1992 and March 27, 1991

	1992 (unaudited)	1991 (unaudited)
Cash flows from operating activities:		
Net income	$ 31,187	$ 275,436
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	494,494	429,089
Change in assets and liabilities:		
Decrease in short-term investments	-	1,875,789
Decrease in receivables	927,639	93,782
Decrease (Increase) in inventory	(14,196)	28,731
Decrease in prepaid expenses and other	31,532	400
Decrease (Increase) in deposits and other assets	17,678	(6,556)
(Decrease) in bank overdraft	-	(898,040)
Increase (Decrease) in accounts payable	(425,578)	411,590
(Decrease) in accrued expenses	(639,430)	(349,114)
(Decrease) in provision for restaurant closing	-	(132,300)
Increase in income taxes payable	11,130	372,957
Increase (Decrease) in deferred income taxes payable	1,730	(30,064)
Net cash provided by operating activities	436,186	2,071,700
Cash flows used in investing activities:		
Capital expenditures, net	(230,393)	(1,680,150)
Cash flows from financing activities:		
Payments on capital lease obligations	(33,997)	-
Proceeds from stock options exercised	4,461	32,641
Net cash provided by financing activities	(29,536)	32,641
Net increase in cash	176,257	424,191
Cash and cash equivalents at beginning of period	2,822,258	512,583
Cash and cash equivalents at end of period	$ 2,998,515	$ 936,774

See accompanying notes to financial statements

HOMESTYLE BUFFET, INC.

NOTES TO FINANCIAL STATEMENTS

1. The financial statements are unaudited and reflect all adjustments which are in the opinion of management necessary for a fair presentation of the financial position and operating results for the interim periods. The financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report to Stockholders for the fiscal year ended January 1, 1992. The results of operations for the twelve weeks ended March 25, 1992 are not necessarily indicative of the results for the entire fiscal year ending December 30, 1992.

2. Earnings per share is based on the weighted average number of common shares outstanding in each period. Outstanding shares were also increased by shares issuable upon exercise of those employee stock options and warrants for which market price exceeds the grant price, less shares which could have been repurchased with the related proceeds.

3. The Company has amended its quarterly information for the fiscal year ended January 1, 1992 to reduce net income for the first quarter to $275,436 ($.05 per share), second quarter to $31,130 ($.01 per share) and third quarter to a loss of $138,166 ($.02 per share) to primarily reflect retroactive and other workers' compensation and general liability insurance charges, as well as depreciation and certain other adjustments.

4. In the year ended January 2, 1991, the Company made an estimated provision of $1,130,000 for the closing of a Jacksonville restaurant and conversion of another restaurant. The closing and conversion occurred in April 1991. The provision related to the leases and other expenses of $400,000 was reflected as a current liability at January 2, 1991. The provision for disposal of leasehold improvements and equipment of $730,000 was recorded in accumulated depreciation. Actual costs incurred were $1,024,444. The remaining provision of $105,556 was reversed in the year ended January 2, 1992 with $63,753 being reversed in the first quarter and the remaining $41,803 in the second quarter.

Item 2 : MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

RESTAURANT SALES of $12,277,681 for the quarter ended March 25, 1992 represents an increase of $1,119,785 or 10% over the same quarter last year. This increase reflects the operation of thirty-three restaurants in the first quarter, compared to thirty restaurants during the same quarter last year.

During the twelve week period ended March 25, 1992, average weekly sales for the Company's restaurants were $31,481, a decrease of 1.8% from average weekly sales of $32,062 during the same period last year. Restaurant sales are affected by seasonal patterns in Florida and in the Northeast and Mid-Atlantic states. Sales are higher in the winter months in Florida, where nine of the Company's restaurants are located while sales in the Northeast and Mid-Atlantic states are higher in the summer months. Unfavorable economic conditions continue to impact every market in which the Company operates. Aggressive marketing programs begun in the second half of 1991 are to showing some cumulative effect.

RESTAURANT PROFIT was 12% of net sales for the quarter ended March 25, 1992 compared to 10.5% of net sales for the same quarter last year. Food cost has improved from last year due to the development of high value, lower cost menu items and the continued benefits of centralized, volume purchasing programs. Labor costs have increased largely due to higher costs for direct labor. Operating expenses have declined as a percentage of sales from the first quarter of 1991 due to the implementation of specific cost cutting programs. Occupancy and fixed cost percentages have increased due to higher costs for new restaurant locations and because of their relatively fixed nature coupled with the decline in average weekly sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES increased substantially from the first quarter of 1991 reflecting the increased spending related to aggressive marketing campaigns begun in the second half of 1991. Advertising and promotion increased to 6.7% of sales in the first quarter of 1992 compared to 1% for the same quarter last year. At the same time, the Company's general and administrative expenses declined to 4.8% of sales for the first quarter of 1992 from 6.8% for the prior year reflecting the impact of aggressive cost cutting programs.

OTHER INCOME (EXPENSE) for the quarter declined from income of $67,668 in 1991 to an expense of $16,827 in 1992 due to a reduction of invested funds and the addition of interest and other expenses related to obligations under capital leases.

Item 2 : MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

INCOME TAX EXPENSE was calculated using an effective tax rate of 38.5% in the first quarter of 1992 versus a tax rate of 38.3% for the same quarter in 1991. The slight change results from lower non-taxable other income in 1992.

FINANCIAL CONDITION

The principle changes in the Company's financial condition from January 1, 1992 were decreases in receivables, accounts payable and accrued expenses.

LIQUIDITY AND CAPITAL RESOURCES. The Company is planning to open two to three restaurants during 1992 and expects to spend between $1,600,000 and $2,700,000 on these new facilities, depending upon contributions obtained from landlords for leasehold improvements. The Company is also planning to remodel 24 existing restaurants and expects to spend approximately $900,000 on this program. Sources of capital for new restaurants and remodels this year will come from existing cash balances, funds from operations and outside financing.

HOMESTYLE BUFFET, INC.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

The registrant is not party to any material legal proceedings.

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matter to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8K

a) Exhibits: None
b) Reports on Form 8K: None

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

HOMESTYLE BUFFET, INC.
(Registrant)

By Thomas J. Wiesenhart
Vice President of Finance/Controller

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the Three Months Ended
March 31, 1992

0-10683
(Commission File Number)

HYDROMER, INC.

(Exact name of registrant as specified in its charter)

New Jersey	22-2303576
(State or other Jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
P. O. Box 337 Whitehouse, N.J.	08888
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (908) 534-9034

Indicate by check mark whether the registrant (1) has filed all Commission reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or of such shorter periods that the registrant is required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES X NO __

Indicate the number of shares outstanding or each of the issuer's classes of Common Stock as of the close of the period covered by this report.

Class	Outstanding at March 31, 1992
Common Stock	4,367,987

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HYDROMER, INC.

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Part 1 - Financial Information

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PART I

HYDROMER, INC.

BALANCE SHEETS

ASSETS	March 31, 1992 (Unaudited)	June 30, 1991 (Audited)
Current assets:		
Cash and cash equivalents	$ 748,910	$ 460,936
Marketable securities	94,000	50,000
Trade receivables	212,181	142,985
Inventory	28,879	18,838
Prepaid expenses and other	28,085	16,381
Total current assets	1,112,055	689,140
Property and equipment (net)	78,641	45,663
Other	5,650	11,370
	$ 1,196,346	$ 746,173
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 23,912	$ 29,732
Accrued liabilities:		
Salaries, wages, bonuses	7,520	14,062
Total current liabilities	31,432	43,794
Shareholders' equity:		
Common Stock - without par value, authorized 6,000,000 shares, issued and outstanding 4,367,987 and 4,378,904	2,922,708	2,922,708
Contributed capital	577,150	575,350
Accumulated deficit	(2,328,804)	(2,789,539)
Treasury stock	(6,140)	(6,140)
Total shareholders' equity	1,164,914	702,379
	$ 1,196,346	$ 746,173

See accompanying notes to consolidated financial statements.

HYDROMER, INC.

STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
Revenues				
Products and services	$ 94,173	$ 64,939	$ 269,614	$ 170,444
Royalties and options	240,392	102,554	837,017	287,473
	334,535	167,493	1,106,631	457,917
Cost of sales	35,697	25,308	102,771	69,907
Gross profit	298,838	142,185	1,003,860	388,010
Operating expenses:				
Selling, general and administrative	129,128	70,450	409,933	254,436
Research and development	63,280	41,247	155,738	142,876
	192,408	111,697	565,671	397,312
Operating income (loss)	106,430	30,488	438,189	(9,302)
Interest income	7,602	6,537	22,545	18,532
Income before taxes	114,032	37,025	460,734	9,230
Income taxes	--	--	--	--
Net income	$ 114,032	$ 37,025	460,734	$ 9,230
Weighted average shares outstanding (including dilutive stock options)	4,377,320	4,378,904	4,377,320	4,378,904
Net income per share	$ 0.03	$ 0.01	$ 0.11	$ 0.00
Dividends per share	$ 0.00	$ 0.00	$ 0.00	$ 0.00

See accompanying notes to consolidated financial statements.

HYDROMER, INC.

STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income	$460,734	$ 9,230
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	12,738	15,205
Changes in assets and liabilities:		
Accounts receivable	(69,196)	(20,326)
Inventories	(10,041)	716
Prepaid expenses	(11,704)	(25,343)
Other assets	5,720	--
Accounts payable and accrued liabilities	(12,362)	(62,507)
Net cash gained from (used in) operating activities	375,889	(83,025)
Cash flows from investing activities:		
Additions to property and equipment	(45,716)	(7,092)
Investment in marketable securities	(191,000)	--
Sale of marketable securities	147,000	--
Cash flows from financing activities:		
Contributed capital-option extension payment	1,800	--
Net increase (decrease) in cash and equivalents	287,974	(90,117)
Cash and cash equivalents at beginning of year	460,936	461,207
Cash and cash equivalents at end of quarter	$748,910	$371,090

There were no payments for interest or taxes during the quarter ending March 31, 1992 and 1991.

See accompanying notes to consolidated financial statements.

HYDROMER, INC.

Notes to Consolidated Financial Statements

In the opinion of management, the accompanying unaudited financial statements include all adjustments (consisting of only normal adjustments) necessary for a fair presentation of the results for the interim periods. No provision has been made for federal income taxes because of the availability of loss carryforwards from prior fiscal years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

For the quarter ending March 31, 1992, the Company reported revenues of $334,535 as opposed to $167,493 of revenues recorded in the same quarter of the previous fiscal year. The $167,042, or 100%, increase was attributable to increased product sales and increased recorded royalties. The net income for the quarter of $114,032, or $0.03 per share, was $77,007, or 208%, greater than the $37,025, or $0.01 per share, reported in the prior fiscal year.

For the nine month period ending March 31, 1992, the Company's revenues of $1,106,631, were $648,714, or 142%, greater than the $457,917 of revenues recorded during the same period in the prior fiscal year. The net income of $460,734, or $0.11 per share, was 49 times greater than the $9,230, or less than one cent per share, reported in the prior fiscal year. The increase in revenues and net income was due to increased product sales as well as increased recorded royalties and licensing fees.

As a percentage of the sales of products and services, cost of sales dropped by 1% from 39% to 38%. Cost of sales were $35,697 for the quarter ending March 31, 1992, as compared with $25,308 for the same quarter in the previous fiscal year. For the the nine months ending March 31, 1992, cost of sales were $102,771, as compared to $69,907 reported in the previous fiscal year. As a percentage of the sales of products and services, cost of sales dropped by 2% from 41% to 38%.

Operating expenses were $192,408, or 58% of revenues, for the quarter as compared to $111,697, or 67% of revenues, for the same quarter in the prior fiscal year. Operating expenses for the nine months were $565,671, or 51% of revenues, as compared to $397,312, or 87% of revenues, for the nine months ended March 31, 1991. The 72% and 42% dollar increase in expenses was outweighed by the much greater increase in revenues.

Financial Condition

Working capital was $1,080,623 at March 31, 1992 as compared to $702,379 at June 30, 1991. The $378,244 increase is primarily due to the profit recorded for the period. Cash and cash equivalents were $748,910 at March 31, 1992 and $460,936 at June 30, 1991. The Company believes that future revenues will provide a sufficient cash flow to maintain operations at the current level.

PART II - Other Information

Item 6. Exhibits and Reports on Form 8-K:

a) Exhibits - none

b) Reports on Form 8-K - There were no reports on Form 8-K filed for the quarter ending March 31, 1992

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on his behalf by the undersigned thereunto duly authorized.

HYDROMER, INC.

J. David Schmidt, II
Vice President
Finance & Administration
Principal Financial Officer

Date: 4/30/92

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
11-11-V

For the period from ______________ to ______________

MAY 11 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Commission File Number: 33-28673

Information Resource Engineering, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

52-1287752
(I.R.S. Employer ID Number)

5024 Campbell Boulevard, Baltimore, Maryland 21236
(Address of principal executive offices) (Zip Code)

(410)931-7500
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X Yes ___ No

As of May 4, 1992, there were 12,440,000 shares of common stock outstanding.

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INFORMATION RESOURCE ENGINEERING, INC.

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INFORMATION RESOURCE ENGINEERING, INC.

BALANCE SHEETS

	March 31, 1992 (unaudited)	December 31, 1991 *
ASSETS		
Current Assets:		
Cash	$ 584,327	$ 102,645
Accounts receivable	116,078	389,974
Inventories:		
Raw materials	87,379	80,447
Finished goods	145,188	88,097
Prepaid expenses	5,818	6,101
Total current assets	938,790	667,264
Equipment, net of accumulated depreciation of $91,587 and $83,320	120,430	88,406
Computer software development costs, net of accumulated amortization of $74,456 and $61,299	227,413	235,545
Other assets	5,634	5,634
	$1,292,267	$ 996,849
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 154,109	$ 129,447
Accrued salaries and commissions	26,904	39,617
Other accrued expenses	85,611	77,556
Income taxes payable	65,400	-
Advance billings on contracts	85,348	39,456
Current portion of capital lease obligation	9,988	13,796
Total liabilities	427,360	299,872
Stockholders' equity:		
Common Stock, $.001 par value per share Authorized 25,000,000 shares, issued and outstanding 12,440,000 shares	12,440	12,440
Additional paid-in capital	1,231,586	1,231,586
Accumulated deficit	(379,119)	(547,049)
Net stockholders' equity	864,907	696,977
	$1,292,267	$ 996,849

* The balance sheet as of December 31, 1991 has been derived from the audited balance sheet of that date.

See accompanying notes to financial statements.

INFORMATION RESOURCE ENGINEERING, INC.

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
Revenues:		
System sales	$477,939	$246,869
Contract engineering	213,080	69,700
	691,019	316,569
Cost of revenues:		
System sales	94,289	86,532
Contract engineering	24,633	26,461
	118,922	112,993
Gross profit	572,097	203,576
Research, development and engineering expenses	114,165	57,674
Selling, general and administrative expenses	226,059	187,176
Operating earnings (loss)	231,873	(41,274)
Interest income (expense),net	1,457	(1,635)
Earnings (loss) before income taxes	233,330	(42,909)
Income tax expense	65,400	-
Net earnings (loss)	$167,930	$(42,909)
Earnings (loss) per common share	$ .01	$ (.00)

See accompanying notes to financial statements.

INFORMATION RESOURCE ENGINEERING, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 1992
(UNAUDITED)

	COMMON STOCK				
	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
Balance, January 1, 1992	12,440,000	$12,440	$1,231,586	$ (547,049)	$ 696,977
Net earnings	-	-	-	167,930	167,930
Balance, March 31, 1992	12,440,000	$12,440	$1,231,586	$ (379,119)	$ 864,907

See accompanying notes to financial statements.

INFORMATION RESOURCE ENGINEERING, INC.

STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
Cash flows from operating activities:		
Net earnings (loss)	$ 167,930	$(42,909)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation of equipment	8,267	8,043
Amortization	13,157	5,429
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	273,896	(65,782)
Increase in inventories	(64,023)	(25,586)
Decrease in prepaid expenses	283	7,396
Increase in computer software development costs	(5,025)	(41,148)
Increase in accounts payable	24,662	43,224
Decrease in accrued salaries and commissions	(12,713)	(4,015)
Increase in other accrued expenses	8,055	84,981
Increase in income taxes payable	65,400	-
Increase (decrease) in advance billing on contracts	45,892	(24,515)
Total adjustments	357,851	(11,973)
Net cash provided by (used in) operating activities	525,781	(54,882)
Net cash used in investing activities - equipment expenditures	(40,291)	(6,675)
Net cash used in financing activities - capital lease obligation payments	(3,808)	(938)
Net increase (decrease) in cash	481,682	(62,495)
Cash at beginning of period	102,645	71,641
Cash at end of period	$ 584,327	$ 9,146
Cash paid for interest expense	$ 902	$ 894

See accompanying notes to financial statements.

INFORMATION RESOURCE ENGINEERING, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and instructions to Form 10-Q and Article 10 of Regulation S-K. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation have been included.

(2) Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109, Accounting For Income Taxes. The effect of the change in method of accounting for income taxes as of January 1, 1992 had no effect on the Company's results of operations or financial position.

The Company has a loss carryforward of approximately $366,000 for both financial statement and income tax purposes. The effective rate for income tax expense (28%) for 1992 assumes full utilization of the loss carryforward in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three months Ended March 31,1992 Compared with Three Months Ended March 31, 1991

Total revenue increased by 118% to $691,019 in the first quarter 1992.

System sales increased approximately 94% to $477,939 in 1992. During the twelve months ended March 31,1992, system sales were approximately $2,212,000 or 110% over the prior twelve month period. Management attributes the increased sales and operating profit to several major new customers and existing customers that are expanding their encryption networks.

Contract engineering revenues increased approximately 206% to $213,080 in 1992. These revenues represent non-recurring engineering for accelerated development of product enhancements. In 1992, the revenues reflect work performed under a purchase order from Citibank N.A. This work will continue in the second quarter of 1992. Since the Company is selective in the enhancement projects that it undertakes, revenues from these projects probably will not exceed $500,000 in 1992.

Cost of system sales increased approximately 5% to $118,922 in 1992. As a percentage of system sales, these costs were 20% in 1992 compared to 35% in the first quarter of 1991. This percentage decrease was due to favorable margins on a portion of one customer order as well as a higher sales volume to absorb fixed costs, the introduction of new products and selective price increases. Management anticipates that in future periods the cost of system sales will approximate 30% of system sales.

Research, development and engineering expenditures totaled $143,823 in 1992 before reduction for contract engineering costs and the capitalization of computer software development costs. Gross expenditures in 1991 were $125,283. This increase reflects additional personnel costs due to expansion of the engineering staff. As a percentage of revenues, the gross expenditures were 21% and 40% in 1992 and 1991, respectively.

Selling, general and administrative expenses increased $38,883 to $226,059 in 1992. While Management has continued to control operating expenses, there have been increases in personnel costs related to increased revenue. As in prior quarters, there was an increase in commission expense associated with the higher revenue. As a percentage of revenues, selling, general and administrative expenses were 33% and 59% in 1992 and 1991, respectively.

The $65,400 income tax expense in 1992 is due to Management's expectation that the Company will be required to pay income taxes this year. The effective tax rate (28%) is based on Management's estimate of taxable income for the year and assumes full utilization of the available loss carryforward by the end of 1992. In 1991, the Company did not pay any income taxes due to the availability of a loss carryforward.

Liquidity and Capital Resources

The Company's marketing efforts have generated several new clients, who are contributing to increased revenues and operating profit. Management believes that anticipated revenue growth combined with continued control of operating expenses will result in a stable level of operating profit, and that the Company has the necessary financial resources to properly manage the expected growth and fund its operations. However, if the growth occurs at a rate which is either significantly faster or slower than anticipated, the Company could experience some liquidity problems.

To address these issues, the Company is exploring the establishment of a line of credit with a commercial bank and/or raising additional funds via an equity offering. There is no assurance that the Company will be successful in raising additional capital should it become necessary or desirable.

INFORMATION RESOURCE ENGINEERING, INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings
None

Item 2. Change in Securities
None

Item 3. Defaults upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports of Form 8-K
None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

INFORMATION RESOURCE ENGINEERING, INC.

May 5, 1992

Anthony A Caputo

Anthony A. Caputo
Chairman, Chief Executive Officer
(Principal Executive Officer)

May 5, 1992

David Skalitzky

David A. Skalitzky
Vice President of Finance
(Principal Financial and Accounting Officer)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

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Commission File Number: 0-19227

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

K7 CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	95-4280610 (I.R.S. Employer Identification No.)

15233 Ventura Boulevard, Suite 1110, Sherman Oaks, CA 91403
(Address of principal executive offices) (Zip Code)

(818) 905-6317
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

The registrant had 385,246 shares of common stock (no par value) issued and outstanding and to be issued as of March 31, 1992.

Total sequentially numbered pages in this document: 11.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

K7 CAPITAL CORPORATION
(A Development Stage Company)

CONDENSED BALANCE SHEETS

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
Current assets:		
Cash and cash equivalents, unrestricted	$ 418,094	$ 432,157
Cash and cash equivalents, escrowed	295,783	285,351
Accrued interest receivable	922	1,742
Total current assets	714,799	719,250
Other assets:		
Prepaid consulting fee, underwriter, net	7,500	9,375
Organization costs, net	2,543	2,712
Deferred income taxes	14,250	12,583
	24,293	24,670
	$ 739,092	$ 743,920

(continued)

K7 CAPITAL CORPORATION
(A Development Stage Company)

CONDENSED BALANCE SHEETS (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
Current liabilities:		
Accrued expenses	$ 10,004	$ 4,194
Income taxes payable	25,404	23,161
Total current liabilities	35,408	27,355
Shareholders' equity:		
Common stock, no par value, authorized 25,000,000 shares; issued and outstanding and to be issued - 385,246 shares at March 31, 1992 and 382,546 shares at December 31, 1991	772,082	763,156
Deficit accumulated during the development stage	(68,398)	(46,591)
	703,684	716,565
	$ 739,092	$ 743,920

See notes to condensed financial statements.

K7 CAPITAL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 1992 AND 1991

	1992	1991
Revenues:		
Interest income	$ 6,581	$ 7,805
Expenses:		
General and administrative expenses	24,968	6,552
Amortization	2,044	170
	27,012	6,722
Income (loss) before income taxes	(20,431)	1,083
Provision for income taxes	1,376	1,667
Net loss	($ 21,807)	($ 584)
Net loss per common share	($ .06)	$ --
Weighted average number of common shares	381,146	301,755

See notes to condensed financial statements.

K7 CAPITAL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)(continued)

FEBRUARY 27, 1990 (INCEPTION) THROUGH MARCH 31, 1992 (CUMULATIVE)

Revenues:	
Interest income	$ 59,348
Expenses:	
General and administrative expenses	105,845
Amortization	8,347
	114,192
Loss before income taxes	(54,844)
Provision for income taxes	13,554
Net loss	($ 68,398)
Net loss per common share	($ .20)
Weighted average number of common shares	334,645

See notes to condensed financial statements.

K7 CAPITAL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 1992 AND 1991, AND THE PERIOD FEBRUARY 27, 1990 (INCEPTION) THROUGH MARCH 31, 1992 (CUMULATIVE)

	1992	1991	Cumulative from inception
Cash flows from operating activities:			
Net loss	($ 21,807)	($ 584)	($ 68,398)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Noncash expense	8,926		20,717
Amortization	2,044	170	8,347
Changes in operating assets and liabilities:			
(Increase) decrease in accrued interest receivable	820		(922)
Increase in prepaid expenses		(3,645)	
Increase in deferred income taxes	(1,667)	(1,851)	(14,250)
Increase in accrued expenses	5,810	6,556	10,004
Increase in income taxes payable	2,243	2,718	25,404
Total adjustments	18,176	3,948	49,300
Net cash provided by (used in) operating activities	(3,631)	3,364	(19,098)

(continued)

K7 CAPITAL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)(continued)

THREE MONTHS ENDED MARCH 31, 1992 AND 1991 AND THE PERIOD FEBRUARY 27, 1990 (INCEPTION) THROUGH MARCH 31, 1992 (CUMULATIVE)

	1992	1991	Cumulative from inception
Cash flows from investing activities:			
Increase in organization costs	$	$	($ 1,090)
Net cash used in investing activities			(1,090)
Cash flows from financing activities:			
Issuance of common stock		495,564	884,064
Increase in prepaid consulting fee		(15,000)	(15,000)
Increase in offering costs		(83,273)	(134,999)
Net cash provided by financing activities		397,291	734,065
Net increase (decrease) in cash and cash equivalents	(3,631)	400,655	713,877
Cash and cash equivalents at beginning of period	717,508	349,349	0
Cash and cash equivalents at end of period	$ 713,877	$ 750,004	$ 713,877

See notes to condensed financial statements.

K7 CAPITAL CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 1992

1. Comments:

The accompanying condensed financial statements are unaudited, but in the opinion of management of the Company, contain all adjustments, consisting of only normal recurring accruals, necessary to present fairly the financial position at March 31, 1992, and the results of operations and the changes in cash flows for the three months ended March 31, 1992 and 1991, and the period February 27, 1990 (inception) through March 31, 1992 (cumulative). Certain information and footnote disclosures normally included in financial statements that have been prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although management of the Company believes that the disclosures contained in these financial statements are adequate to make the information presented therein not misleading. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 1992, are not necessarily indicative of the results of operations to be expected for the full year ending December 31, 1992.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and capital resources - March 31, 1992:

The activities of the Company since inception in February 1990 have been financed through the sale of common stock. During the period from inception through March 31, 1992, sales of common stock provided working capital, net of offering costs, of approximately $750,000. As of March 31, 1992, the Company had net working capital of $679,391, which consisted primarily of cash and cash equivalents.

Since a portion of the Company's initial public offering was sold in the State of Colorado, the Colorado Securities Act requires that $292,000 of the net proceeds must be placed in a special escrow account until the completion of a transaction or series of transactions whereby at least $248,000 of the gross proceeds received from the sale of common stock is committed for use in one or more specific lines of business.

The Company has no long-term commitments for capital expenditures. Consistent with the business plan under which the Company was organized, the Company is utilizing its cash resources to fund general and administrative expenses, excluding management compensation, in order to locate, analyze, acquire and fund a business opportunity. The Company's cash resources may remain uncommitted for a substantial period of time until the Company can locate a suitable business opportunity candidate for acquisition by the Company. There can be no assurances, however, that the Company will be successful in locating and acquiring a business opportunity prior to expending its working capital, and that if successful in locating and acquiring a business opportunity, that the Company will have sufficient internal and external cash resources to fund the operations of the acquired business.

The Company has made short-term investments of its cash resources in United States Treasury Bills. Management believes that such investment policy minimizes risk and provides for a high degree of liquidity and a reasonable rate of return.

Results of operations - Three months ended March 31, 1992 and 1991, and the period February 27, 1990 (inception) through March 31, 1992 (cumulative):

The Company is a development stage company and its activities from inception through March 1991, when the Company's initial public offering was completed, were limited to organizational efforts and obtaining equity financing. For the period from inception through March 31, 1992, revenues and expenses have been nominal, consisting of interest income and various general and administrative costs, respectively. Since March 1991, the Company has been attempting to locate a business to acquire (see "Liquidity and Capital Resources" above). In addition, the Company is classified as a Personal Holding Company for Federal income tax purposes, and accordingly, is subject to a tax rate of 28 percent of its adjusted taxable income, in addition to the regular corporate tax rate.

PART II. OTHER INFORMATION

Items 1 through 6 are not applicable.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

K7 CAPITAL CORPORATION
(Registrant)

Dated: May 5, 1992

By: Yale Farar
YALE FARAR
President, Chief Executive
Officer and Chief Financial
Officer

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

J92-2261

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ______________

Commission File Number 0-15413

LWAY PRODUCTIONS
(Exact name of registrant as specified in its charter)

Nevada	95-3480640
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer ID No.)

9044 Melrose Avenue, 3rd Floor, Los Angeles, CA 90069
(Address of principal executive offices)

(310) 859-8250
(Registrant's telephone number, including area code)

9229 Sunset Boulevard, 9th Floor, Los Angeles, CA 90069
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

The registrant had 54,154,000 shares of its $.001 par value common stock outstanding as of May 4, 1992.

PROCESSED BY
13-13-V
MAY 11 1992

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Q-Data Corp. - St. Petersburg, FL

PART I
ITEM I

LWAY PRODUCTIONS

INDEX TO FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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Statement of Operations for the six months ended March 31, 1992 and 1991 5

Statements of Cash Flows for the six months ended March 31, 1992 and 1991 6 to 7

Notes to Financial Statements 8 to 13

LWAY PRODUCTIONS
BALANCE SHEETS

	March 31, 1992	September 30, 1991
	(Unaudited)	
ASSETS:		
Cash	$364,084	$385,957
Accounts receivable-trade	484,703	238,000
Accounts receivable-purchased(Note 2)		51,178
Film inventory, net of accumulated amortization of $222,487 (Note 2)	300,258	418,196
Furniture and fixtures, at cost, net of accumulated depreciation of $13,626 and $8,114 at March 31, 1991 and September 30, 1991(Note 2)	48,238	43,814
Security deposit and other assets	63,285	40,452
	$1,260,568	$1,177,598
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued expenses	$63,290	$43,142
Accounts payable-Century Group (Note 5)	47,000	47,000
Notes Payable(Note 2)	175,000	175,000
Total liabilities	285,290	265,142
Shareholders' equity:		
Preferred stock, $.01 par value; 10,000,000 shares authorized; none outstanding		
Common stock, $.001 par value; 250,000,000 shares authorized; 54,154,000 and 60,000,000 shares issued and outstanding at December 31, 1991 and September 30, 1991 respectively(Note 2)	54,154	54,154
Additional paid-in capital(Note 2)	2,856,232	2,856,232
Retained earnings (deficit)	(1,935,108)	(1,997,930)
Total shareholders' equity	975,278	912,456
	$1,260,568	$1,177,598

See notes to financial statements.

4 of 13

LWAY PRODUCTIONS
STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
Film revenue (Note 1 and 2)	$339,854	$91,739
Costs and expenses:		
Operating costs and film amortization (Note 2)	87,128	15,202
Selling, general and administration	210,502	167,917
Operating profit (loss)	42,224	(91,380)
Other income (expense):		
Affiliate claim and recovery (Note 2)		610,500
Interest income	2,178	1,716
Interest expense(Note 2)	(4,375)	0
	(2,197)	612,216
Net profit (loss)	$40,027	$520,836
Net profit (loss) per share (Note 3)	$0.00	$0.01

See notes to financial statements.

LWAY PRODUCTIONS
STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
Film revenue (Note 1 and 2)	$592,577	$91,739
Costs and expenses:		
Operating costs and film amortization (Note 2)	141,125	15,202
Selling, general and administration	388,598	324,425
Operating profit (loss)	62,854	(247,888)
Other income (expense):		
Affiliate claim and recovery (Note 2)		610,500
Interest income	8,718	4,613
Interest expense(Note 2)	(8,750)	0
	(32)	615,113
Net profit (loss)	$62,822	$367,225
Net profit (loss) per share (Note 3)	$0.00	$0.01

See notes to financial statements.

LWAY PRODUCTIONS
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
Cash flows from operating activities:		
Net profit (loss)	$62,822	$367,225
Adjustments to reconcile net profit (loss) to net cash provided (used) by operating activities (Note 2):		
Depreciation and amortization	123,632	15,470
Decrease (increase) in other assets	(22,833)	(7,688)
Decrease (increase) in accounts receivable-trade	(246,703)	
Increase (decrease) in accounts payable and accrued expenses	20,148	107,538
Accounts receivable-Exacta settlement		(62,500)
Cash collections of purchased accounts receivable	51,178	20,134
Film inventory-Exacta settlement		(148,000)
Total adjustments	(74,578)	(75,046)
Net cash provided (used) by operating activities	(11,756)	292,179
Cash flows from investing activities:		
Purchase of Peregrine assets		
Accounts receivable-purchased		(143,000)
Cash purchase of film inventory		(137,500)
Furniture and equipment		(50,025)
Repurchase of Company's common stock		(144,475)
Purchase of computer equipment	(10,117)	
Net cash used in investing activities	(10,117)	(475,000)
Cash flows from financing activities:		
Proceeds from issuance of common stock		350,000
Net cash provided by financing activities		350,000
Net increase (decrease) in cash and cash equivalents	(21,873)	167,179
Cash and cash equivalents at beginning of year	385,957	255,079
Cash and cash equivalents at end of year	$364,084	$422,258

See notes to financial statements.

LWAY PRODUCTIONS
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)
(Continued)

upplemental disclosures of cash flow information:

upplemental schedule of noncash investing and financing activities:

The Company issued $175,000 in notes payable to Peregrine in conjuntion with the asset acquisition.(Note 2) The notes bear interest at the rate of 10% per annum and are payable over four years.

isclosure of accounting policy:

or purposes of the statement of cash flows, the Company considers all ighly liquid debt instruments purchased with a maturity of three month r less to be cash equivalents.

LWAY PRODUCTIONS

NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation:

The accompanying condensed financial statements are unaudited, but in the opinion of management include all adjustments (consisting only of normal recurring adjustments) necessary to fairly state the information included therein in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10Q and rule 10-01 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The accompanying financial should be read in conjunction with the more detailed financial statements and related footnotes thereto which are incorporated by reference in Form 10K for the year ended September 30, 1991.

The results of operations for the six month period ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

Film Revenue Recognition

Revenues from television license agreements are recognized as each film becomes available for telecasting by the licensee. Revenues from other contractual agreements are recognized when the films delivered are free of any conflicting licenses in respective territory.

Accounts receivable

Accounts receivable consist of the unpaid portion of license agreements received from customers on a worldwide basis. The Company's management performs credit evaluations of all customers and reserves for any potential credit losses.

Furniture and fixtures

Depreciation of furniture and fixtures is being provided by utilization of the straight-line method over the estimated useful lines of the assets which range from 3 to 5 years.

LWAY PRODUCTIONS

NOTES TO CONDENSED FINANCIAL STATEMENTS

Film Costs and Amortization

Amortization is based on the income forecast method utilizing the relationship revenue realized in the period bears to estimated future revenue and the new cost basis (Note 2). Such estimated revenue will be revised periodically by management and estimated losses, if any, will be provided for. Based upon the Company's revenue estimates, approximately 70% of the carrying basis of the films is expected to be amortized within the three-year period ending September 31 1993. Film costs are stated at the lower of unamortized cost or estimated net realizable value.

Note 2 - Related Party Transactions:

Acquisition Agreement

On March 12, 1991 the Registrant concluded an Acquisition Agreement (the "Acquisition Agreement") with Peregrine Entertainment, Ltd. ("PEL"), Peregrine Producers Group ("PPG") and Peregrine Film Distribution, Inc. ("PFD") (all of which are operating as debtors in possession under the United States Bankruptcy Code), resulting in the Registrant's acquisition of, among other things, 30,000,000 shares of common stock of the Registrant, par value $.001 per share ("Common Stock"), owned by PEL and representing 50% ownership of the Registrant, which have been retired, and the other transactions described below.

Pursuant to the Acquisition Agreement, the Registrant acquired from PEL, PPG and PFD, substantially all of their assets as of August 31, 1990 (the "Assets") for a purchase price of $650,000 plus the assumption of certain liabilities related to the Assets. The Assets principally consist of 29 made-for-television motion pictures owned by PPG (the "PPG Films"), all of PPG's and PFD's rights to accounts receivable derived from the PPG Films, miscellaneous furniture and equipment of PEL, and 30,000,000 shares of Common Stock owned by PEL.

The purchase price consisted of $475,000 paid in cash and $175,000 paid by the delivery of three promissory notes bearing interest of 10% and due over a period of four years (the "Notes"). Principal is due as follows:

March 31, 1993	$ 75,000
March 31, 1994	50,000
March 31, 1995	50,000
	$175,000

In connection with the Acquisition Agreement, PEL, PPG and PFD, on the one hand, and Messrs. Neil Rosenstein ("Rosenstein") and Harold Brown ("Brown"), both officers and members of the Board of Directors of the Registrant, and PEL, PPG, PFD, and Exacta, on the other hand, executed mutual releases (the "Mutual Releases") wherein each party released and discharged the other from and against any and all debts, claims, demands and liabilities.

The financing of the purchase of the Assets was derived in part from each of the approximately $400,000 received by the Registrant by Exacta pursuant to the Settlement Agreement, described below, and the $350,000 received by the Registrant by Mr. Brown and Mr. Smith ("Smith") pursuant to the Stock Subscription Agreement, described below.

Settlement Agreement

On March 12, 1991, the Registrant concluded the Settlement Agreement with Exacta and Rosenstein (the "Settlement Agreement") pursuant to which the Registrant settled all of its claims against Exacta and Rosenstein, including, without limitation, Exacta's obligation under certain Guarantee and Indemnification Agreements executed by Exacta in favor of the Registrant between July and August of 1987 (the "Guarantee Agreements") to indemnify the Registrant from its losses in connection with a pledge of $1,500,000 to PEL in July and August, 1987. Pursuant to the Settlement Agreement, Exacta assigned and transferred to the Registrant $400,000 in cash, all of Exacta's distribution rights to the PPG Films, all of Exacta's rights to accounts receivable derived from the PPG Films, and the right to receive up to $150,000 of a potential additional refund from Exacta's 1986 and 1987 Federal and State of Utah Income Tax Returns (less any expenses of collection). Also pursuant to the terms of the Settlement Agreement, Rosenstein resigned from the Board of Directors and any offices of the Registrant, agreed to the cancellation of all options held by him to purchase shares of Common Stock and executed Mutual Releases releasing the Registrant from all liabilities, claims and demands. In consideration for such transfers, the Registrant delivered to Exacta and Rosenstein releases executed releasing Exacta and Rosenstein from all liabilities, claims and demands. The Settlement Agreement closed concurrently with the Acquisition Agreement.

LWAY PRODUCTIONS

NOTES TO CONDENSED FINANCIAL STATEMENTS

Stock Subscription Agreement

On March 12, 1991, pursuant to the Acquisition Agreement the Registrant repurchased and retired 30,000,000 shares of the Company's Common Stock owned by PEL. Concurrently, the Registrant, pursuant to a Stock Subscription Agreement between the Registrant, Harold Brown ("Brown") and Ralph T. Smith ("Smith"), both officers and directors of the Registrant, sold and newly issued 15,700,100 and 8,453,900 shares respectively representing an aggregate of 45% of the Registrant's outstanding shares of Common Stock for $350,000.00 pursuant to a Stock Subscription Agreement between the Registrant and Brown and Smith dated as of March 12, 1991 (the "Subscription Agreement").

Note 3 - Profit (Loss) Per Share:

Net profit (loss) per share is computed using the weighted average number of shares of Common Stock and common stock equivalents outstanding at March 31, 1992 and 1991.

Note 4 - Income Taxes:

The Company has unused operating loss carryforwards of approximately $1,535,332 for federal income tax purposes and $766,766 for state income tax purposes due to expire through 2005. The Company has approximately $1,997,930 of unused operating loss carryforwards for book purposes.

Note 5 - Accounts Payable - Century Group:

The Company collected $47,000 on behalf of Century Group Ltd., ("Century") a non-affiliate. There are no requirements of the Company with regard to these monies except to see that Century has complied with certain conditions established by a third party.

LWAY PRODUCTIONS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Results of Operations

Revenue for the three and six months ended March 31, 1992 were $339,854 and $592,577 respectively. Revenue for the comparative periods of March 31, 1991 were $91,739. The significant increase in 1992 of $500,838 is due to the fact the Company commenced operating as a film distribution operation on March 12, 1991 and therefore had less than one month of revenue as compared to six months of revenue for the period ended March 31, 1992.

Operating expenses for the six months ended March 31, 1992 increased by $125,923 as compared to the prior year. This increase is due primarily to increased sales related costs of film amortization of $103,000 and print costs of $17,000.

Selling, general and administration costs for the six months ended March 31, 1992 increased by $64,173 as compared to the prior year. Legal and accounting decreased by $254,700 as these nonrecurring expenses were incurred in the acquisition of the Peregrine assets; salary expense increased by $177,000, rent increased by $31,000, travel and entertainment increased by $25,000, foreign taxes increased by $14,000, consultant expense increased by $10,500, temporary hire cost increased by $20,000 due to hiring of temp help to implement a computer system, telephone expense increased by $10,000, insurance expense increased by $11,000, sundry accounts increased by $20,000 all as a result of the Registrant becoming an operating company and now having 5 full-time employees and compared to the prior year with no business activities and one part-time employee. The Registrant does not anticipate any substantial increase in its costs and expenses during the current fiscal year.

Capital Resources and Liquidity

As of March 31, 1992, the Registrant had $364,084 of cash available to meet operating requirements. Accordingly, based on anticipated continuing sales, cash on hand and existing accounts receivable of $484,703 no liquidity shortfalls are expected during the 1992 fiscal year.

PART II - OTHER INFORMATION

Items 1 through 5 are not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

No reports on Form 8-K were filed by Company during the quarter covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LWAY PRODUCTIONS

Date May 4, 1992

By Ralph T Smith

Ralph T. Smith, President
and Chief Financial Officer

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FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission file number 0-14068

Memry Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	06-1084424 (I.R.S. Employer Identification No.)

57 Commerce Drive, Brookfield, Connecticut 06804
(Address of principal executive offices)
(Zip Code)

(203)-740-7311
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date. As of May 4, 1991, 20,087,757 shares of the registrant's common stock, par value $.01 per share, were issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

MEMRY CORPORATION AND SUBSIDIARIES

	March 31, 1992 Unaudited	June 30, 1991
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 85,000	$ 466,000
Accounts receivable, less allowance of $27,000 and $67,000	953,000	1,016,000
Inventories	1,502,000	1,542,000
Prepaid expenses and other	221,000	133,000
TOTAL CURRENT ASSETS	2,761,000	3,157,000
PROPERTY, PLANT AND EQUIPMENT, net	1,803,000	2,096,000
OTHER ASSETS		
Non current inventories	642,000	436,000
Acquired technology, net of accumulated amortization of $244,000 and $152,000	361,000	453,000
Patents, at cost, net of accumulated amortization of $41,000 and $37,000	16,000	20,000
Deposits and sundry	15,000	234,000
	1,034,000	1,143,000
	$5,598,000	$6,396,000

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

MEMRY CORPORATION AND SUBSIDIARIES

	March 31, 1992 Unaudited	June 30, 1991
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,203,000	$ 2,454,000
Loan payable	684,000	1,043,000
Current portion of capital lease obligations and long-term debt	155,000	155,000
TOTAL CURRENT LIABILITIES	2,042,000	3,652,000
CAPITAL LEASE OBLIGATIONS, less current portion	43,000	36,000
LONG-TERM DEBT, less current portion	2,591,000	2,632,000
OTHER NON-CURRENT LIABILITIES	269,000	26,000
COMMITMENTS AND CONTINGENCIES-Note J		
STOCKHOLDERS' EQUITY		
Preferred stock $100 par value, authorized 100,000 shares		
Series A, issued and outstanding 124 shares	12,000	12,000
Series B, issued and outstanding 250 shares	25,000	25,000
Series C, issued and outstanding 200 shares	20,000	
Series D, issued and outstanding 160 shares	16,000	
Series E, issued and outstanding 50 shares	5,000	
Common stock, $.01 par value, authorized 15,000,000 shares issued and outstanding 14,997,757 and 13,227,496 shares	150,000	132,000
Additional paid-in capital	21,357,000	17,941,000
Accumulated deficit	(20,932,000)	(18,060,000)
	653,000	50,000
	$ 5,598,000	$ 6,396,000

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

MEMRY CORPORATION AND SUBSIDIARIES
3 MONTHS ENDED MARCH 31, 1992 AND 1991
9 MONTHS ENDED MARCH 31, 1992 AND 1991

	For Three Months Ended March 31, 1992 Unaudited	For Three Months Ended March 31, 1991 Unaudited
REVENUES	$ 1,402,000	$ 1,380,000
COSTS AND EXPENSES		
Manufacturing costs	1,373,000	1,337,000
Research and development costs	100,000	235,000
General, selling and administrative	880,000	832,000
Interest	90,000	155,000
	2,443,000	2,559,000
NET LOSS	(1,041,000)	(1,179,000)
Preferred dividends	74,000	
LOSS ATTRIBUTABLE TO COMMON SHARES	$(1,115,000)	$(1,179,000)
Net loss per common share	($0.07)	($0.11)

	For Nine Months Ended March 31, 1992 Unaudited	For Nine Months Ended March 31, 1991 Unaudited
REVENUES	$ 4,190,000	$ 4,319,000
COSTS AND EXPENSES		
Manufacturing costs	4,133,000	3,730,000
Research and development costs	306,000	635,000
General, selling and administrative	2,334,000	2,228,000
Interest	290,000	296,000
	7,063,000	6,889,000
NET LOSS	(2,873,000)	(2,570,000)
Preferred dividends	224,000	212,000
LOSS ATTRIBUTABLE TO COMMON SHARES	$(3,097,000)	$(2,782,000)
Net loss per common share	($0.22)	($0.25)

See notes to condensed consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

MEMRY CORPORATION AND SUBSIDIARIES

	For Nine Months Ended March 31,	
	1992 Unaudited	1991 Unaudited
OPERATING ACTIVITIES		
Net loss	$(2,873,000)	$(2,570,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	458,000	446,000
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	63,000	132,000
(Increase) decrease in inventories	(166,000)	(621,000)
(Increase) decrease in prepaid expenses and other	(88,000)	35,000
(Decrease) increase in accounts payable and accrued expenses	(1,251,000)	236,000
Other	219,000	63,000
CASH USED IN OPERATING ACTIVITIES	(3,638,000)	(2,279,000)
INVESTING ACTIVITIES		
Purchases of property and equipment	(68,000)	(120,000)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(68,000)	(120,000)
FINANCING ACTIVITIES		
Proceeds from sales of Common Stock	2,332,000	
Proceeds from sales of Preferred Stock	1,350,000	
Loan Proceeds	50,000	1,500,000
Payments net of proceeds from capitalized lease obligations	7,000	(6,000)
Net proceeds from revolving line	(359,000)	286,000
Principal payments on long-term debt	(91,000)	(80,000)
Preferred dividends paid		(318,000)
Other non-current liabilities	36,000	
CASH PROVIDED BY FINANCING ACTIVITIES	3,325,000	1,382,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(381,000)	(1,017,000)
Cash and cash equivalents at beginning year	466,000	1,070,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 85,000	$ 53,000

See notes to condensed consolidated financial statements.

MEMRY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending June 30, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 1991.

NOTE B--INVENTORY

The components of inventories consist of the following:

	March 31, 1992	June 30, 1991
Raw materials and supplies	$ 367,000	$ 341,000
Work-in-process	349,000	1,053,000
Finished goods	1,428,000	584,000
	2,144,000	1,978,000
Less non current work-in-process	(642,000)	(436,000)
	$1,502,000	$1,542,000

In accordance with the Company's fiscal 1992 sales forecast, which has been adjusted to reflect the current conditions in the hotel and residential renovation and new construction industries, Ultravalve™ inventory of $642,000 and $436,000 is classified as non current inventory as of March 31, 1992 and June 30, 1991, respectively. The Ultravalve™ product line, an electronic valve and shower control device, was purchased by the Company in 1989. The balance of Ultravalve™ inventory (approximately $200,000) is included as a current asset at both March 31, 1992 and June 30, 1991.

NOTE C--NET LOSS PER COMMON SHARE

The net loss per common share is based on the net loss from operations plus Preferred Stock dividends. The weighted average number of shares of Common Stock outstanding were 14,251,556 and 14,984,208 for the nine and three month periods ending March 31, 1992. The weighted average number of shares was 11,149,110 for both the nine and three month periods ending March 31, 1991. Common Stock equivalents have been excluded from the computation of the net loss per common share based on their anti-dilutive effect.

NOTE D--WRIGHT MACHINE CORPORATION ACQUISITION

On February 6, 1990, the Company, through a wholly-owned subsidiary, acquired substantially all of the operating assets and assumed certain liabilities of Wright Machine Corporation, a privately held manufacturer of screw machine and taper pin products, for a total purchase price of approximately $3.3 million. The acquisition was accounted for as a purchase, and accordingly, the assets acquired and liabilities assumed were recorded at their estimated fair market values.

In connection with the acquisition of Wright Machine Corporation, Wright entered into a revolving loan, term loan and security agreement (the "Agreement") which is guaranteed by the Company. The Agreement includes a revolving loan, a mortgage and a term loan which accrue interest at prime plus 1% (7.5% as of March 31, 1992). The revolving loan is limited to the lesser of the sum of 80% of accounts receivable and 40% of inventories of Wright, less $250,000, or $2 million, and is secured by Wright's accounts receivable and inventories.

The term loan is collateralized by machinery and equipment and the mortgage loan is collateralized by land and building with net book values at March 31, 1992 of $166,000 and $807,000, respectively. The Agreement requires payments received on accounts receivable by Wright to be applied against the outstanding balances on the revolving and term loans, and therefore, cannot be transferred to the Company until such loans are paid. In addition, the Agreement prohibits Wright from paying dividends to the Company, and the Company from applying intercompany charges against Wright. The Agreement also requires the Company to maintain certain minimum cash balances, and Wright to meet various loan covenants as of March 31, 1992, including the maintenance of a minimum of $1.4 million of working capital, tangible net worth of at least $1.25 million and total debt to equity of 3.3 to 1.0. As of March 31, 1992, Wright was in full compliance with each of these loan covenants. As of June 30, 1991, Wright was in violation of the then in effect covenants. On October 9, 1991, Wright received permanent waivers of these June 30, 1991 loan covenant violations. In connection therewith, the terms of the original loan agreement were amended to include revised covenants for the year ending June 30, 1992, to be met at the end of each quarter beginning on December 31, 1991. Trinity has provided the Company with a standby commitment to cover the minimum cash requirement to meet these covenants, if necessary.

NOTE E--CHRYSLER COMMON STOCK PURCHASE

On September 30, 1991, the Company sold 727,273 shares of its Common Stock to National Trust Company, Trustee for Chrysler Canada, Ltd. Pension Fund ("National") for $800,000. In connection with this transaction, the Company issued warrants to National to purchase up to 1,454,546 shares of the Company's Common Stock at $1.10 per share through August 3, 1994.

As a result of a stock placement made on November 6, 1991 to new and existing foreign investors, as further described in Note G, certain anti dilution provisions of the above transaction with National were effected. In accordance with these anti dilution provisions, National was issued an additional 272,727 shares of Memry Corporation Common Stock.

NOTE F--TRINITY PURCHASE OF SERIES C PREFERRED STOCK

On October 11, 1991, the Company and Trinity Capital Corporation ("Trinity") entered into a Securities Purchase Agreement (the "Agreement") providing for the acquisition by Trinity of 200 shares of Series C Preferred Stock and warrants to purchase 3,636,364 shares of its Common Stock at an exercise price of $0.74 per share. Simultaneously with the execution of the Securities Purchase Agreement, Trinity received 155 shares of Series C Preferred Stock and a Warrant to purchase 2,818,182 shares of Common Stock. $11,500 of a $1,150,000 capital contribution made by Trinity on June 28, 1991 was reclassified to preferred stock, representing the par value of 115 shares of Series C Preferred Stock. In addition, 40 shares of the Series C Preferred Stock were issued in exchange for the forgiveness of a $400,000 demand promissory note which was outstanding on October 11, 1991. On December 17, 1991 Trinity purchased the remaining 45 shares of Series C Preferred Stock and the remaining warrants to purchase 818,182 shares of Common Stock for $450,000. The 155 shares of Series C Preferred Stock were initially convertible into 1,409,091 shares of Common Stock and carry voting rights on an as-converted basis. Holders of the Series C Preferred Stock are not entitled to a preferred dividend, but are entitled to receive Common Stock dividends on an as-converted basis. As a result of a placement made on November 6, 1991 to new and existing foreign investors, certain anti dilution provisions of the Agreement were effected as further described in

NOTE G. In accordance with these anti dilution provisions, the 155 shares of Series C Preferred Stock will ultimately be convertible into 1,937,500 shares of Memry Common Stock. On April 14, 1992, pursuant to the automatic conversion provisions of the Series C Preferred Stock, all 200 shares of this Preferred C were converted into 2,500,000 shares of the Company's Common Stock.

NOTE G--FOREIGN COMMON STOCK PURCHASE

On November 6, 1991 the Company placed 2,072,625 units of its Common Stock and warrants to purchase Common Stock with certain existing and new foreign investors at $0.80 per unit, for a total purchase price of $1,658,100. Each unit consists of one share of the Company's Common Stock and a warrant to purchase two additional shares of the Company's Common Stock at $0.50 per share. The warrant is exercisable over the five-year period beginning December 15, 1992 and ending December 15, 1997. This transaction was arranged for the Company by American Equities Overseas, Inc., which has, in the past, handled foreign sales of the Company's securities. The Company paid American Equities Overseas a one time financing fee of 7% of the proceeds of the placement ($116,067) and issued warrants to purchase 435,251 shares of the Company's Common Stock at $0.50 per share, exercisable December 15, 1992 through December 15, 1997.

NOTE H-- TRINITY PURCHASE OF SERIES D PREFERRED STOCK

On November 6, 1991, The Company and Trinity entered into a Securities Exchange Agreement, pursuant to which Trinity exchanged 1,600,000 shares of the Company's Common Stock held by Trinity for 160 shares of the Company's Series D Preferred Stock. The Common Stock delivered by Trinity in exchange for the Series D Preferred Stock was retired by the Company. No other shares of Series D Preferred Stock are outstanding. The shares of Series D Preferred Stock are convertible into 1,600,000 shares of Common Stock, and can be voted on an as-converted basis. Holders of Series D Preferred Stock are entitled to a liquidation preference, but are not entitled to a preferred dividend. They are entitled to receive any dividends declared on the Common Stock, on an as-converted basis. On April 14, 1992, pursuant to the automatic conversion provision of the Series D Preferred Stock, all 160 shares of this Preferred D Stock were converted into 1,600,000 shares of the Company's Common Stock.

NOTE I-- MTC PURCHASE OF SERIES E PREFERRED STOCK

On March 30, 1992, the Company and Montreal Trust Company of Canada ("MTC"), on behalf of the Commonwealth Hospitality, Ltd. Pension Fund, entered into a Securities Purchase Agreement, pursuant to which MTC purchased 50 shares of the Company's Series E Preferred Stock for a purchase price of $500,000. No other shares of Series

E Preferred Stock are outstanding. Holders of Series E Preferred Stock are entitled to a liquidation preference, but are not entitled to a preferred dividend. They are entitled to receive any dividends declared on the Common Stock, on an as-converted basis. All of the Series E Preferred Stock was automatically converted into 1,000,000 shares of Common Stock of the Company on April 14, 1992.

NOTE J--CONTINGENCIES

Two class action lawsuits were filed against the Company and others in October 1986 relating to damages alleged to have occurred in connection with an alleged scheme to disseminate a series of press releases and other reports that falsely portrayed the Company's operating and financial condition. The lawsuits further allege that the defendants (the Company and members of former management) knew that such press releases and other reports were materially misleading and that the individual defendants took advantage of their claimed effect on the price of the Company's Common Stock by disposing of significant amounts of such stock. An additional class action lawsuit was filed against the Company and others in October 1986 alleging that the defendants (the Company and members of former management) issued press releases concerning the business of the Company from which they knowingly omitted material facts necessary to render the statements made therein not misleading. These three class action lawsuits, which were brought on behalf of all persons who purchased the Company's Common Stock between February 1986 and October 1986, were consolidated. On November 10, 1988, the Company and the plaintiffs filed a stipulation of settlement which was approved by the court on December 12, 1988 and resulted in the dismissal of all of the plaintiffs' claims against the Company. The terms of the settlement called for the payment of $60,000 to the plaintiffs, and the issuance of 500,000 shares of the Company's Common Stock for distribution to the plaintiffs. At the time of the settlement, the value of the shares issued had a quoted market price of $0.75 per share.

In February 1987, two members of former management named as defendants in the class action lawsuits filed answers which contained cross-claims against the Company. The cross-claims seek indemnification pursuant to the Company's by-laws and the Delaware corporation law on the grounds that they were directors and officers of the Company at the time the activities complained of in the complaint were alleged to have taken place. The Company has denied the material allegations of the cross-claims and filed cross-claims against the members of former management seeking indemnification and contribution based on their alleged unauthorized acts as officers and directors of the Company and upon their breach of their fiduciary duty of due care and good faith to the Company. In March 1989, one of the members of former management agreed to a settlement with the plaintiffs and as part of that settlement, agreed to release all claims against the Company. The other member of former management has not agreed to a settlement with the Company. The ultimate outcome of this claim cannot be determined at this time.

On January 4, 1989, the Company was served with a third party complaint by a securities broker (the "broker") who is the defendant in a class action suit. The plaintiffs in the class action suit allege losses arising from the acts or omissions of the broker and its employees which purportedly affected the price of the Company's stock. The broker sought contribution or indemnification from the Company. A judgment of dismissal of the third party action was entered on December 8, 1989. On March 14, 1990, a stipulation was entered which provided that the broker may appeal the dismissal of its third party action against the Company at the conclusion of the underlying case provided the broker files a timely appeal.

With respect to other claims and actions against the Company, it is the opinion of management that they will not have a material adverse effect on the financial position of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial position and operating results.

(a) Liquidity and Capital Resources

In the first nine months of Fiscal 1992 the Company continued to rely on outside sources to fund the difference between cash flow from operations and expenditure levels for research, product development, manufacturing and new product introductions.

The Company has continued with its activities in spite of limited funds from operations in anticipation of continued funding from existing and/or new investors. During the first nine months of Fiscal 1992, the Company has concluded five transactions with existing and new investors.

On September 30, 1991, National Trust Company, trustee for Chrysler Canada, Ltd. Pension Fund, purchased, for $800,000, 1,000,000 shares of the Company's Common Stock and a warrant to purchase 1,454,546 shares of the Company's Common Stock at $1.10 per share.

In the last Fiscal quarter of 1991, Trinity Capital Corporation, a major equity investor in the Company, provided short-term loans to the Company totalling $1,150,000. On June 28, 1991, Trinity made a $1,150,000 capital contribution to the Company, to be later designated Series C Preferred Stock. The proceeds of the capital contribution were used to retire the short term loan. On October 11, 1991, Trinity agreed to purchase additional shares of Series C Preferred Stock for a purchase price of $850,000. Of this $850,000, $400,000 was used to retire short term notes that Trinity had extended to the Company from June 30, 1991 through October 11, 1991. The balance of the purchase price ($450,000) was paid, and the corresponding securities issued on December 17, 1991.

Trinity agreed to the deferral of all preferred stock dividends accruing after July 1, 1991 until the Company is in a positive cash flow position. In the first nine months of Fiscal 1992, the amount of such deferred but accrued dividends is $224,400 and is included in Other Non Current Liabilities at March 31, 1992.

On November 6, 1991 the Company placed 2,072,625 units of its Common Stock and warrants to purchase Common Stock with certain existing and new foreign investors at $0.80 per unit, for a total purchase price of $1,658,100. Each unit consists of one share of the Company's Common Stock and a warrant to purchase two additional shares of the Company's Common Stock at $0.50 per share. The warrant is exercisable over the five year period beginning December 15, 1992 and ending December 15, 1997. This transaction was arranged for the Company by American Equities Overseas, Inc., which has, in the past, handled foreign sales of the Company's securities. The Company paid American Equities Overseas a one time financing fee of 7% of the proceeds of the placement ($116,067) and issued warrants to purchase 435,251 shares of the Company's Common Stock at $0.50 per share, exercisable from December 15, 1992 through December 15, 1997.

On March 30, 1992, Montreal Trust Company of Canada, on behalf of the Commonwealth Hospitality, Ltd. Pension Fund purchased 50 shares of the Company's Series E Preferred Stock for a purchase price of $500,000.

The Company had its Annual Meeting on April 7, 1992. At this meeting the Company's shareholders authorized an increase in common stock from 15,000,000 to 50,000,000 shares. As a result of this, on April 14, 1992 all the outstanding shares of Series C, D and E Preferred Stock were converted into 5,100,000 shares of Common Stock of the Company.

As of March 12, 1992, Connecticut Innovations, Incorporated ("CII") entered into a Development Agreement with the Company in which CII agreed to provide up to $750,000 in partial reimbursement of expenses associated with developing the Company's Firechek™ line of safety valves. CII will receive royalties of 6.5% of sales of Firechek™ valves until it has received a total of five times the funds provided by CII, and a royalty of 0.5% of such sales thereafter for a period equal in duration to the period during which the 6.5% royalty was in effect. In addition, the Company issued to CII a warrant to purchase 100,000 shares of the Company's Common Stock at an exercise price of $1.00 per share, exercisable for 10 years.

Currently, management believes it will be successful in securing commitments sufficient to support fiscal 1992 operations. However, there can be no guarantee that existing investors will continue to support the Company or that new investors can be found.

Further, the Company is negotiating to get new or increased capital. The Company intends to use any new funds, if received, for working capital, research and new product introductions. Funding in this manner is generally expected to dilute earnings for existing shareholders.

If the Company is unable to raise additional capital sufficient to continue its current operations, management believes certain assets and technologies could be sold and has identified cost cutting measures affecting administrative, research, and manufacturing departments and would consolidate all Company operations at the Company-owned manufacturing facilities in Worcester, Massachusetts. Management believes these reductions in operating overhead should be sufficient to allow the Company to continue its businesses without additional capital infusion, albeit at a reduced level of operation.

The Company continues to examine possible acquisition candidates that meet the criteria of consistent revenue and profit histories and that are able to obtain financing on a stand-alone basis.

(b) Results of Operations

Product sales and product development contract revenues decreased to $4,190,000 for the nine months ended March 31, 1992 as compared to $4,319,000 in the same period for the prior year. For the quarter ended March 31, 1992, revenues were $1,402,000 or $22,000 higher than the third quarter of 1991.

Revenues from Wright Machine Corporation ("Wright"), the Company's wholly owned manufacturer of screw machine and taper pin products, were $3,763,000 during the first nine months of Fiscal 1992 as compared to $3,851,000 for the same period last Fiscal year. While the current U.S. economic recession continues to negatively impact Wright's sales compared to prior years the effect has been minimized by an aggressive sales/marketing campaign that has replaced existing customers reduced orders with new customers for Wright's services. The remainder of the revenue was generated in Memry Technologies, Inc. ("Technologies"), the company's wholly owned subsidiary engaged in research and product development, and Memry Plumbing Products Corp. ("Plumbing"), the Company's wholly owned subsidiary engaged in marketing of the Ultravalve™ and Memrysafe™ product lines. The reduction in sales from these non-Wright activities (from $468,000 in the first nine months of Fiscal 1991 to $427,000 for the same period in Fiscal 1992) have been more severely impacted by the recessionary effect on the commercial, residential and hospitality construction industries, all being key markets for the Company's products.

During the first nine months of fiscal 1992 ended March 31, 1991, approximately 92% of the Company's revenues were from product sales by Wright and Plumbing, which operate in competitive markets with many other manufacturers and product alternatives. Their customers have been severely affected by the current recession. Research and development contracts from the U.S. Government are approximately 8% of revenues. The Company continues to actively solicit customer-sponsored product development and government research contracts to increase revenues, and currently has several outstanding research proposals.

Manufacturing costs were $4,133,000, for the nine months ended March 31, 1992 and $3,730,000 for the nine months ended March 31, 1991. Of the $403,000 in year to date variance, $363,000, or almost all of the difference occurred in the second quarter and is due to the effect of increased revenue in the second quarter of fiscal 1992 over the same period in 1991 and the fact that fixed costs could not be reduced at a commensurate rate with revenue reductions, resulting in a negative impact on gross margins for the nine month period. In spite of the weak economy, Wright machine Corporation has raised its rates somewhat in the third quarter. Some impact in margins have been noted, however, it will take approximately six months to completely work off the backlog at the older, lower rates.

Research and Development costs decreased to $306,000 for the nine months ended March 31, 1992, as compared with $635,000 for the prior year. These costs declined due to the completion or postponement of additional work on a number of internal and commercial R & D projects.

General, Selling, and Administrative ("SG&A") expenses were about the same during the nine month period ended March 31, 1992 ($2,334,000) as the same period for the prior year ($2,228,000). While overall cost cutting measures, taken as the economic recession has lengthened, have reduced most SG&A expense categories, certain legal and accounting fees have increased due to the recent level of financing activity and in preparation for the Company's annual shareholders meeting.

The Company has outstanding orders as of May 3, 1992 of approximately $1.8 million: approximately $195 thousand for Technologies for mostly United States government sponsored research and product development programs and $1,573 thousand for products from Wright. In view of normal business risks, there can be no complete assurance that the total amount of these revenues will be realized.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

No exhibits are filed as part of this Quarterly Report on Form 10-Q.

(b) Reports on Form 8-K

1. On March 30, 1992, the Company filed a Current Report on Form 8-K with respect to the following item:

   Item 5:
   On March 12, 1992, the registrant and Connecticut Innovations, Incorporated ("CII") entered into a Development Agreement pursuant to which CII agreed to provide up to $750,000 in partial reimbursement of expenses associated with developing the registrant's Firechek™ line of safety valves. CII will receive royalties of 6.5% of sales of Firechek™ valves until it has received a total of five times the funds provided by CII, and a royalty of 0.5% of such sales thereafter for a period equal in duration to the period during which the 6.5% royalty was in effect. In addition, the registrant issued to CII a warrant to purchase 100,000 shares of the Company's Common Stock at an exercise price of $1.00 per share, exercisable for 10 years.

2. On April 9, 1992, the Company filed a Current Report on Form 8-K with respect to the following item:

   Item 5:
   On March 30, 1992, the Company and Montreal Trust Company of Canada ("MTC"), on behalf of the Commonwealth Hospitality, Ltd. Pension Fund, entered

into a Securities Purchase Agreement, pursuant to which MTC purchased 50 shares of the Company's Series E Preferred Stock for a purchase price of $500,000. No other shares of Series E Preferred Stock are outstanding. The shares of Series E Preferred Stock are convertible into 1,000,000 shares of Common Stock, and can be voted on an as-converted basis. Holders of Series E Preferred Stock are entitled to a liquidation preference, but are not entitled to a preferred dividend. They are entitled to receive any dividends declared on the Common Stock, on an as-converted basis.

All of the Series E Preferred Stock will be automatically converted into Common Stock as soon as the Company has a sufficient number of authorized shares of Common Stock to permit such conversion and the exercise of certain of the rights to acquire Common Stock.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Memry Corporation

Date: May 10, 1992

James G. Binch

James G. Binch
President

Date: May 10, 1992

Edward R. Bernice
Chief Financial Officer

011973

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10Q
QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter ended	Commission File No.
3/31/92	0-12595

L92-226

MicroENERGY, Inc.

(Exact Name of Registrant as specified in its Charter)

Delaware	36-3262274
(State or other Jurisdiction of Incorporation or Organization	(I.R.S. Employer Identification No.)

350 Randy Road
Carol Stream, Il

60188

(Address of Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (708) 653-5900

Indicated by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No ______

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

As of March, 31, 1992, there were outstanding 113,836,980 shares of Common Stock, $.001 par value.

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MicroENERGY, Inc.

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Part 1 - Financial Information

Item 1 - Financial Statements

Condensed Balance Sheet
March 31, 1992 (unaudited) and June 30, 1991

Condensed statement of Operations (unaudited) for the third quarter and nine months ending March 31, 1992 and March 31, 1991.

Condensed Statement Changes in Financial Position (unaudited) nine months ending March 31, 1992 and March 31, 1991.

Notes to condensed Financial Statements (unaudited)

Item 2 - Managements discussion and analysis of financial condition and results of operations

MICROENERGY, INC.
CONDENSED BALANCE SHEETS

	3rd Quarter Ending 3/31/92 (unaudited)	Year Ended 6/30/91 (audited)
ASSETS		
Current assets:		
Cash	$ 20,000	$ 60,745
Accounts Receivable	2,862,980	893,876
Inventory	4,392,132	1,681,423
Other Current Assets	180,160	112,577
Total Current Assets	7,455,272	2,748,621
Machinery and equipment	4,675,555	2,364,625
Accumulated depreciation	(1,555,815)	(1,286,959)
	3,119,740	1,077,666
Other assets, net	604,934	239,049
	11,179,946	4,065,336
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	3,633,562	1,217,313
Current position of long-term obligations	934,000	309,791
Accounts Payable	2,201,461	447,826
Accrued expenses	200,051	343,100
Total Current Liabilities	6,969,074	2,318,030
Long-term debt obligations	2,988,655	1,300,691
Other long-term obligations	400,000	
Total long-term liabilities	3,388,655	1,300,691
Total Liabilities	10,357,729	3,618,721
Stockholders' equity:		
Conv. preferred stock, no p.v. 800 shares authorized; 769 issued and converted		
Common stock, $.001 par value - 180,000,000 shares authorized, 113,669,475 shares issued	113,877	113,837
Additional paid-in capital	5,860,401	5,858,641
Accumulated deficit thru 6/30/91	(3,660,125)	(3,660,125)
Unearned restricted stock comp.	(1,804,679)	(1,849,427)
Common stock purchase warrants,	75	75
Treasury stock, at cost,850,659 shares	(16,386)	(16,386)
Current Year Earnings	329,054	--
Total stockholders' equity	822,217	446,615
Total liabilities & equity	$11,179,946	$4,065,336

STATEMENT OF CASH FLOWS
(Unaudited)

	Nine Months Ending March 31, 1992	Nine Months Ending March 31, 1991
Cash Flows from Operations:		
Net Income	$ 329,054	$ 60,952
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	268,856	225,000
Changes in assets and liabilities net of effects of acquisition of NCR'S Power Systems Division:		
(Increase)decrease in receivables	(1,969,104)	255,008
(Increase)decrease in inventory	(353,382)	330,481
(Increase) in other assets	(433,468)	(22,696)
(Decrease) in accounts payable	(1,753,635)	(280,232)
(Decrease) in accruals	(143,049)	
Increase in other liabilities	400,000	
Net cash flows from operations	(147,458)	322,259
Cash Flows from Investing Activities:		
Additions to Equipment	(235,929)	(293,724)
Acquisition of NCR's Power Systems Division	(4,432,327)	
Net cash (used) by investing activities	(4,668,256)	(293,784)
Cash Flows from Financing Activities:		
Notes Payable	3,040,458	(172,004)
Long-term debt	1,687,963	22,720
Equity Transactions	46,548	44,750
Net cash provided (used) by Financing activities	4,774,969	(104,534)
Net (decrease) in Cash	(40,745)	(76,059)
Cash at beginning of period	60,745	86,059
Cash at end of period	$20,000	$10,000

Supplemental schedule of noncash investing and financing activities:

The Company purchased the inventory and fixed assets of NCR Corporation's Power Systems Division for $3,553,000. In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$4,432,327
Cash paid for the assets	(548,567)
Debt issued for the assets	(3,004,496)
Liabilities assumed	$879,264

MICROENERGY, INC.

STATEMENT OF OPERATIONS
(unaudited)

	Three Months Ended 3/31/92	Three Months Ended 3/31/91	Nine Months Ended 3/31/92	Nine Months Ended 3/31/91
Revenues	4,811,980	1,965,232	15,203,670	6,474,040
Cost and Expenses				
Manufacturing and Facility	3,666,686	1,374,592	11,560,989	4,602,585
Research and Development	560,331	258,409	1,637,288	781,067
Selling, General and Administrative	444,182	273,246	1,288,455	835,055
Interest/Expense(Net)	133,737	56,829	387,884	194,381
Net Profit After Tax	7,044	2,156	329,054	60,952
Earnings Per Share	$ .000	$ .000	$ .003	$ .000
Average Number of Common Stock Shares Outstanding	113,836,980	113,836,980	113,836,980	113,836,980

MICROENERGY, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. CONDENSED FINANCIAL STATEMENTS

The condensed balance sheet as of March 31, 1992 the consolidated statement of income for the three month and nine month periods ending March 31, 1992 and March 31, 1991 and the condensed statement of cash flows for the nine month period ending March 31, 1992 and March 31, 1991 have been prepared by the company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in financial position at March 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed statements be read in conjunction with the financial statements and notes thereto included in the company's June 30, 1991 10K report. The results of operations for the period ended March 31, 1992 is not necessarily indicative of the operating results for the full year.

2) On July 1, 1991, MicroENERGY acquired the inventory, machinery and equipment of NCR Corporation's Power Systems Division; a business unit of NCR Corporation's Multi-User Products Division, located in Lake Mary, Florida. The acquisition was accounted for as a purchase; accordingly, the aggregate purchase price of $3,553,000 has been allocated to specific assets and liabilities based upon their estimated fair market value at the date of acquisition. In addition, MicroENERGY will pay NCR a 3% royalty on net sales of power supplies to certain previous Power Systems' customers for a five year period with a minimum royalty of $400,000 in fiscal year 1997. The acquisition was financed through a note payable with NCR Corporation and additional financing from MicroENERGY's primary lenders.

Part 1
Item 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net sales for the three months ended March 31, 1992 were $4,811,980 versus net sales of $1,965,232 for the year earlier period ending March 31, 1991. The net sales for the nine months ending March 31, 1992 were $15,203,670 versus $6,474,040 for the prior year period. The quarter and nine month increases were 145% and 135% respectively. The increased revenues are a direct result of the acquisition of the Power Systems Business Unit of NCR, which took effect on July 1, 1991, and the continued growth of the base business. The profit in the three month period ending December 31, was $7,044 versus the prior year period of $2,156. For the nine month period, the net profit is $329,054 versus $60,952 for the prior year period. The increase in profitability is a result of the increased revenues and the controlled growth of the operational cost areas. In this quarter the consolidation of the factory operations, the acquired business from NCR, was completed into the Company's facility in Quincy, Illinois. The R&D and SG&A cost areas combined increased by 81% over the prior year period, while revenues were increasing 135%.

Liquidity and Capital Resources

The total assets of the Company have increased to $11.2 million versus $4.1 million at the end of the prior fiscal year. The working capital position for the period ending March 31, 1992 is $486,000 versus $430,000 at June 30, 1991. The increase in the asset base is a direct result of the acquisition. Total Equity has increased to $822,217 as compared with $446,615 at the end of the fiscal year. The actual dollar value of the inventory and accounts receivable have increased dramatically, with the increased revenues. However, the relationship of inventory and accounts receivable to total assets has remained relatively constant. Now that the consolidation of the manufacturing operations has been completed, the Company shall turn its attention to reducing inventory levels. The Company expects that it's current resources, combined with cash expected to be generated from operations, will be sufficient to service the Company's debt and to fund the Company for the coming fiscal year.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1983, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date May 14, 1992 By(s) ______________________
Robert G. Gatza
President and CEO

Date May 14, 1992 By(s) ______________________
Robert J. Fanella
Chief Financial Officer
and Treasurer

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For period ended MARCH 31, 1992

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______ to ______

Commission File Number: 0-13917

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NUMERICA FINANCIAL CORPORATIO
(Exact name of Registrant as specified in its chart

NEW HAMPSHIRE
(State or other jurisdiction of incorporation or organization)

02-0386596
(IRS Employer Identification Number)

P. O. BOX 10658
BEDFORD, NEW HAMPSHIRE
(Address of principal executive offices)

03110
(Zip Code)

(603) 472-4460
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___.

At March 31, 1992, 4,452,444 shares of $.10 par value common stock of the Registrant were outstanding.

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NUMERICA FINANCIAL CORPORATION

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NUMERICA FINANCIAL CORPORATION (Parent Company Only)

PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Balance Sheets

(Dollars in Thousands)

	(Unaudited) At March 31, 1992	(Note Below) At December 31, 1991
ASSETS		
Cash and Due from Banks:		
Demand and Cash	$ 16	$ 25
Interest-Earning	605	867
	621	892
Litigation Deposit Held By Court (Note 2)	100	
Other Assets	315	285
	$ 1,036	$ 1,177
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accrued Expenses and Other Liabilities	$ 726	$ 735
Commitments and Contingencies (Note 2)		
Shareholders' Equity:		
Serial preferred stock, par value $1.00 per share; Authorized--2,000,000 shares; none outstanding		
Common stock, par value $.10 per share; Authorized--25,000,000 shares; Issued and outstanding--4,452,444 shares	445	445
Paid-in Capital	47,113	47,113
Accumulated Deficit	(47,248)	(47,116)
	310	442
	$ 1,036	$ 1,177

Note: The balance sheet at December 31, 1991 has been derived from the audited financial statements at that date.

See accompanying notes to financial statements.

NUMERICA FINANCIAL CORPORATION (Parent Company Only)

Statements of Operations (Unaudited)

(Dollars in Thousands, Except Per Share Data)

	Three Months Ended March 31,	
	1992	1991
Income:		
Interest	$ 9	13
Other Income	123	3,353
Total Income	131	3,366
Operating Expenses:		
Employee Compensation and Benefits	190	1,717
Occupancy	9	234
Data Processing and Other Equipment	--	577
Other Expenses	64	838
Total Operating Expenses	263	3,366
Income Before Income Taxes and Equity in Net Losses From Discontinued Operations	(132)	--
Income Taxes	--	--
Equity in Net Losses From Discontinued Operations	--	(1,605)
Net Loss	$ (132)	$ (1,605)
Loss Per Share	$ (.03)	$ (0.36)
Weighted Average Shares Outstanding	4,452,444	4,452,444

See accompanying notes to financial statements.

NUMERICA FINANCIAL CORPORATION (Parent Company Only)

Statement of Cash Flows (Unaudited)

(Dollars in Thousands)

	Three Months Ended March 31, 1992
Cash Flows from Operating Activities:	
Net Loss	$ (132)
Adjustments to Reconcile Net Loss to Net Cash Absorbed by Operating Activities:	
Increase or Decrease in:	
Litigation Deposit Held by Court	(100)
Other Assets	(30)
Accrued Expenses and Other Liabilities	(9)
Total Adjustments	(271)
Net Cash Absorbed by Operating Activities	(271)
Net Decrease in Cash and Cash Equivalents	(271)
Cash and Cash Equivalents, Beginning of Period	892
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 621

See accompanying notes to financial statements.

Notes to Unaudited Financial Statements

NOTE 1. CORPORATE STATUS

Background

Numerica Financial Corporation (the Parent "Company"), prior to October 10, 1991, was a multi-bank savings and loan holding company and owned all of the outstanding common stock of Numerica Savings Bank, FSB, Manchester, New Hampshire ("Numerica") and HomeBank, FSB, Laconia, New Hampshire ("Home"). Numerica and Home represented substantially all of the gross revenues, expenses, assets and liabilities of the Company. The Company had previously operated other subsidiaries, however these subsidiaries were either liquidated or merged with Numerica and Home such that as of September 30, 1991, the Company had no other operating subsidiaries other than Numerica and Home.

The financial condition of the Company, Numerica and Home deteriorated steadily during the late 1980's and early 1990's. The losses incurred during this time frame were almost entirely related to the severe economic decline which persisted in New Hampshire and resulted in a significant and prolonged recession. This economic decline manifested itself by increasing unemployment, high levels of business failures, declining population within the State and a significant decline in real estate values, especially commercial construction and development properties. These conditions, in turn, resulted in unprecedented levels of non-performing assets and loan losses at Numerica and Home which were the primary cause of the Company's significant consolidated losses during this time frame.

Regulatory Actions

These losses, as discussed above, eroded Numerica and Home's capital which caused them to be subjected, beginning in 1989, to increasingly harsh regulatory actions, including demands for new capital. By 1991, the Company was subject to a Cease and Desist Order and both institutions were operating under Capital Directives which were issued by the Office of Thrift Supervision ("OTS"). These Directives defined the steps and timing associated with the required recapitalization of the institutions and also incorporated a number of significant operating restrictions requiring prior OTS approval in certain circumstances pertaining to lending, investments and general operating activities. During 1991, the Company attempted to comply with these directives and vigorously searched for sources of new capital sufficient to satisfy these regulatory demands. Unfortunately, given the economic malaise in New England and the general deterioration of the entire U.S. banking system, these efforts were not successful.

On June 17, 1991 the Federal Deposit Insurance Corporation ("FDIC") began to resolve New Hampshire's banking crisis by holding a Bidders Conference which was designed to encourage interested investors to submit a bid for the acquisition of one or more of seven troubled financial institutions in New Hampshire, including Numerica. It was expected that the review of the bids submitted would be completed and a winning bidder(s) announced during October of 1991. At the conclusion of this process, it was anticipated that Numerica would no longer be owned by the Company and that Home would represent the Company's only remaining banking subsidiary.

NOTE 1. CORPORATE STATUS (CONTINUED)

Regulatory Actions (Continued)

Simultaneous with the Bidders Conference, the Company was instructed by the FDIC to discontinue its efforts to recapitalize Numerica as required under the Cease and Desist Order previously issued by the OTS. The Company had been continuing efforts to recapitalize Home. The Company had previously predicted that, if efforts to recapitalize Home were unsuccessful, Home would likely be subjected to further regulatory and statutory sanctions through the OTS's exercise of its supervisory and enforcement authority, ultimately leading to the appointment of a conservator by, or receivership under, an agency of the federal government. In that event, the Company indicated it would lose its total investment in both Numerica and Home, thereby likely resulting in a total loss of shareholders' value.

On October 10, 1991, various governmental banking agencies took possession of eight financial institutions representing nearly 40% of New Hampshire's banking assets. More specifically, effective that same date, the OTS took possession of the assets, property and business of Numerica and Home. The FDIC was appointed as the receiver for Numerica, while the Resolution Trust Corporation ("RTC") was appointed the receiver for Home. Certain assets, deposits and liabilities of Numerica and Dartmouth Bank and New Hampshire Savings Bank, both of which were also placed in receivership on October 10, were then transferred to New Dartmouth Bank. The receiver for Home has transferred certain assets, deposits and liabilities of Home to Home Bank Federal Savings Association.

As a result, effective October 10, 1991, the Company lost control of and authority over all of the assets and liabilities of Numerica and Home including the disposition of the remaining assets and the resolution of any claims against these entities. Since, at the date of regulatory resolution, the recorded liabilities of Numerica and Home exceeded their recorded assets, the Company does not expect to realize any value from its investments in Numerica and Home. The Company's only remaining assets on March 31, 1992, after a total loss of its investments in Numerica and Home, are cash and short term investments of approximately $ 600,000 and the cash value of life insurance policies which fund a Supplemental Income Security Plan for selected employees of the Company, Numerica or Home. None of these assets nor the proceeds thereof will be available for distribution to stockholders unless and until all of the Company's creditors' claims, including certain matters presently in litigation and/or potential claims, are satisfied. It is expected that these remaining assets will be utilized to satisfy creditor and other potential claims, defend and/or settle existing and potential litigation and position the Company for legal dissolution. Based on the current financial condition of the Company, as discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein, it appears that any significant distribution to shareholders is unlikely. Accordingly, the ability of the Company to continue as a going concern is subject to significant uncertainty and substantial doubt.

These uncertainties raised substantial doubt about whether the Company, Numerica and Home could continue to operate as going concerns. Previous consolidated unaudited financial statements have not included any adjustments relating to the recoverability of recorded asset amounts or the amounts of liabilities that might be incurred should the Company, Numerica or Home be unable to continue as a going concern(s). Because of the significance of the uncertainty concerning these matters, KPMG Peat Marwick was unable to express and did not express an opinion on the financial statements of the Company and subsidiaries as of and for the years ended December 31, 1991 and 1990.

NOTE 2. SIGNIFICANT UNCERTAINTIES

Litigation

State Mutual

State Mutual Life Assurance Company of America ("State Mutual") has sent the Company notices of attornment, and of default and demand for payment of rent relating to a lease of the 8th floor of the Company's former offices ("Offices"). The Company ceased occupying the Offices on October 10, 1991 as a result of the receivership of Numerica Savings Bank by the FDIC. The Company believes that the lease was terminated by the action of the FDIC and State Mutual in depriving the Company access to and use of the Offices since October 10, 1991. The Company has filed in New Hampshire State Court a Petition for Declaratory Judgement and Other Relief against State Mutual to determine the status of the lease under which State Mutual claims to have succeeded to the rights of Hampshire Management, Inc. ("HMI"), as landlord through foreclosure on its mortgage on the building. HMI was a subsidiary of Numerica which owned the building containing the Offices. The case has been removed by State Mutual to the United States District Court for the District of New Hampshire and State Mutual has filed an Answer and Counterclaim alleging default of the lease and seeking payment of all amounts paid into court and other unspecified damages. The Company has responded to these claims. As a result of the FDIC receivership of Numerica, HMI has been controlled by the FDIC since October 10, 1991. The Company, during the first quarter of 1992, paid $100,000 into Court covering the rental sums allegedly due since November 1, 1991. These payments are reflected in the March 31, 1992 Balance Sheet as "Litigation Deposit Held By Court". The Company intends to pay approximately $20,000 into court on a monthly basis. The potential exposure to the Company should it be declared to be in default and should State Mutual be allowed to accelerate the rent, could be $4.5-$5.0 million reduced by any recovery to State Mutual through the re-leasing of the Offices. In the event that the Court finds that the lease has been terminated as claimed by the Company, it is probable that the amounts paid into the Court would be returned to the Company and that it would have no further liability pursuant to the lease. In the event that the Court finds the lease is still in effect, the Company believes that it will not be found to be in default under the lease and that the lease will be found to remain in effect with the Company having an ongoing liability to pay rent in the approximate amount of $20,000 per month; however, in such event the Company also believes that it would also be entitled to an abatement of rent for the period it was unable to occupy the Offices. The Company believes it is reasonably possible that it will prevail and that the lease will be found to have been terminated with no further liability to the Company.

NOTE 2. SIGNIFICANT UNCERTAINTIES

Litigation (Continued)

Meeks

In early 1987, Numerica Financial Services, Inc. ("NFSI") (a now dissolved Florida based mortgage banking subsidiary of Numerica Savings Bank) executed an employment contract with Gary Meeks with term expiring December 31, 1990. As NFSI activities were winding down, Meeks left his position at NFSI on October 31, 1989 and commenced employment with another financial institution shortly thereafter. NFSI then terminated payments under the employment contract on grounds of substitutive employment. Shortly thereafter, Mr. Meeks brought suit in Florida State Court to enforce the employment contract.

After discovery and while awaiting trial, the Florida State Court refused a continuance and Florida counsel for the Company, on an unauthorized basis, stipulated to a Default Judgement ("Judgement"), without trial on the merits, against the Company, NFSI and Numerica Savings Bank in the amount of $168,428.00 plus interest. This Judgement, which arose from a major procedural dispute, was immediately appealed by all of the Defendants and the Company has pending a motion to alter the Judgement in the Florida court. While the appeal was pending, Numerica Savings Bank was taken over by the FDIC as Receiver on October 10, 1991 and the FDIC, on October 23, 1991, removed the Meeks litigation to United State District Court, Middle District of Florida, Tampa Division. Mr. Meeks has filed a Motion for Entry of Judgment against the Company to the above described court to which the Company has objected. The Company has also sought to have this court consider a Motion to Alter or Amend this Judgement due to the major procedural errors which took place and allow a trial on the merits. On September 19, 1991, Mr. Meeks initiated a companion action in New Hampshire (first in the State Superior Court) to enforce his Florida Judgment. Although this action was removed to the Federal Court by the FDIC, it was later remanded to New Hampshire Superior Court, where Mr. Meeks has pending motions for summary judgement and pre-judgement attachment. A hearing was held on the prejudgment attachment motion on April 16, 1992. The Hillsborough County Superior Court denied Mr. Meeks motion for prejudgment attachment on April 27, 1992. The Company believes that defenses exist to all of the claims asserted by Mr. Meeks and seeks only to have a full hearing in trial court on any claims against it. In the event that the Company's motions in the Florida court are unsuccessful, it may be required to post a bond in the amount of $200,000 to stay execution of the Judgement pending appeal.

NOTE 2. SIGNIFICANT UNCERTAINTIES

Litigation (Continued)

Kuehl

By Writ dated July 26, 1991, David Kuehl and Jean Kuehl brought suit in Rockingham County Superior Court in New Hampshire seeking unspecified damages against Numerica Savings Bank, HomeBank, FSB, Numerica Financial Corporation, several present and former officers of HomeBank, FSB and all of the directors of HomeBank, FSB, Numerica Savings Bank and Numerica Financial Corporation, in a thirty six (36) count lender liability action. Mr. and Mrs. Kuehl's complaint alleges misrepresentations by certain officers of HomeBank, FSB to Mr. Kuehl in connection with HomeBank's financing of Mr. and Mrs. Kuehl's purchase of a four (4) family apartment house in North Conway, New Hampshire. Mr. and Mrs. Kuehl are claiming the alleged misrepresentations led to their default on the financing for the North Conway, New Hampshire property. The default, they allege, led to a default on approximately ten (10) loans secured by other commercial properties they had financed through Numerica Savings Bank and HomeBank, FSB. The Kuehls also claim defamation of credit and breach of confidentiality. The case was removed to the United States District Court for the District of New Hampshire on October 25, 1991. On February 7, 1992, the Kuehls filed a thirty-six count, Amended Complaint with the United States District Court for the District of New Hampshire. The 36 counts make essentially the same allegations as the Writ originally filed in the Rockingham County Superior Court. The Kuehls have now specifically alleged that they have been damaged in the amount of $3,000,000. The defendants have filed a Motion to Dismiss all counts against the individual defendants and the Company. The Company intends to vigorously defend the case and does not believe a recovery against the Company or its directors is likely.

Lawton

On July 5, 1991, Eugene Lawton, former corporate auditor of the Company, brought suit in Federal District Court in the District of New Hampshire against the Company claiming wrongful discharge and wrongful infliction of emotional distress. Mr Lawton's employment with the Company was terminated effective as of April 13, 1990 at which time his annual salary was approximately $52,000. The Company filed an answer to the complaint on August 12, 1991. A pretrial conference was held on October 2, 1991 and the case is now in discovery. Mr. Lawton's demand is for reinstatement and for actual and enhanced damages in the amount of $500,000. The Company denies that Mr. Lawton's termination was wrongful or that it otherwise wrongly caused him harm and the Company intends to vigorously defend the case and does not believe a recovery against the Company is likely.

NOTE 2. SIGNIFICANT UNCERTAINTIES

Litigation (Continued)

Regulatory Uncertainties

On October 10, 1991, the OTS took possession of the assets, property and business of Numerica and Home. The Federal Deposit Insurance Corporation was appointed as the receiver for Numerica, while the Resolution Trust Corporation was appointed the receiver for Home. Certain assets, deposits and liabilities of Numerica and other banks that were also placed in receivership on October 10, were then transferred to New Dartmouth Bank. The receiver for Home has transferred certain assets, deposits and liabilities of Home to Home Bank Federal Savings Association. While the Company has not received any formal demands or claims against it from either the FDIC or the RTC, it is not known whether the liquidation process underway related to Numerica or Home will result in any demands or claims by the FDIC or RTC against the Company.

As a result of these regulatory actions, the Company, by operation of law, no longer is a savings and loan holding company. The Company has notified the OTS formally of the fact and has requested that the OTS formally acknowledge the deregistration of the Company. The Company, at the request of the OTS, has completed certain forms and provided certain information to the OTS and has recently been notified that the deregistration process will begin following the resolution of the Company's Supplemental Income Security Plan. The Company is currently discussing the termination of this plan with the FDIC and the RTC. The OTS has indicated that they will adhere to the guidance from these regulatory agencies in the resolution of this issue. The Company believes that following the resolution of this issue that the OTS will formally acknowledge that the Company is no longer a savings and loan holding company and that ongoing regulatory supervision will no longer be provided.

In connection with the formation of the Company and the acquisition of Home, the Company was requested by the OTS to stipulate to a Regulatory Capital Maintenance Resolution. The Stipulation required, among other things, that the Company provide sufficient capital to Numerica and Home to enable them to maintain compliance with regulatory capital requirements during the time that the Company controlled both entities. At the time that Numerica and Home were placed into receivership by the OTS, neither institution was in compliance with existing regulatory requirements and the Company did not have sufficient financial resources to enable these entities to achieve regulatory capital compliance. While nothing has been initiated to date, the regulatory agencies could seek to initiate administrative or judicial proceedings against the Company for non-compliance with this Stipulation.

On August 2, 1991, the OTS directed the Company to discontinue retirement benefit payments to the retirees under the Numerica Financial Corporation Supplemental Income Security Plan (the "Security Plan"). Further, the OTS directed the Company to cease any additional premium payments on the life insurance policies used to fund the Security Plan obligations. The Company complied with these directions and maintained a steady dialogue with the OTS in an effort to terminate the Security Plan and amicably resolve this matter.

NOTE 2. SIGNIFICANT UNCERTAINTIES

Litigation (Continued)

Regulatory Uncertainties (Continued)

On October 31, 1991, the OTS directed the Company to liquidate the life insurance policies and pay the cash values to the receivers for Numerica and Home. In light of the Company's obligations to the Security Plan participants/beneficiaries, the Company has not complied with this direction. The Company has and continues to work diligently to resolve this matter. The Company is currently discussing the Security Plan resolution with the receiver for Numerica (the FDIC) and the receiver for Home (the RTC). The OTS has recently indicated that they will adhere to the guidance provided by these regulatory agencies.

Two former employees have recently demanded payment from the Company under the Security Plan. In addition, one retired participant has recently passed away. The OTS directive to discontinue payments to the retired participants/beneficiaries has subjected these individuals to considerable hardship. It is likely that litigation could ensue if the Company is unsuccessful in obtaining regulatory approval to terminate the Security Plan.

NOTE 3. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Principles of Consolidation

The accompanying financial statements include the accounts of Numerica Financial Corporation, the parent company only. Financial statements filed pursuant to the Securities and Exchange Act of 1934, prior to September 30, 1991, were on a consolidated basis, reflecting the operations of the Company and its subsidiaries, including Numerica and Home. However, given the developments discussed in Note 1 above, the financial statements included herein have been presented on a parent company only basis. The financial statements contained herein reflect, on an equity basis, the accounts of Numerica and Home and their operating results through October 10, 1991. During the second quarter of 1991, the cumulative losses from the Company's banking subsidiaries exceeded the Company's aggregate Investment in Subsidiary Bank. As a result, consistent with generally accepted accounting principles, losses have been recorded only to the extent of the Company's investment in these banking subsidiaries. These operating results are reflected in the accompanying financial statements as discontinued operations.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and thereby be exposed to realization of its assets and satisfaction of its liabilities and commitments at amounts different from those in the financial statements.

NOTE 3. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (CONTINUED)

Basis of Presentation-Going Concern

Historically, the Company has not conducted substantial operations of its own. Its primary purpose was to act as a holding company for and provide certain consolidated services to its banking subsidiaries. As a result of the regulatory resolution of these banking subsidiaries, the Company has been left with a nominal net worth and no ongoing business activity. Additionally, the outcome of certain potential and contingent liabilities, as described in Note 2, are unknown. The Board of Directors has requested that management continue its efforts to resolve existing and potential liabilities and prepare the Company for dissolution. Management has indicated that no distribution to stockholders will take place unless and until all of the Company's creditors' claims, including certain matters presently in litigation and/or potential claims, are satisfied. Management expects that remaining assets will be utilized to satisfy creditor and other potential claims, defend and/or settle existing and potential litigation and position the Company for legal dissolution. Based on the current financial condition of the Company, Management believes that any significant distribution to shareholders is unlikely. Accordingly, the ability of the Company to continue as a going concern is subject to significant uncertainty and substantial doubt.

NOTE 4. BENEFITS

Background

The Company historically sponsored benefit programs covering all employees in the consolidated group. All costs associated with these programs were allocated to the individual entities within the consolidated group for which the eligible employees were either directly employed or dedicated to functions which supported the operations of these entities. In anticipation of the regulatory resolution (see Note 1), management began a process in the third quarter of 1991 to terminate these programs or transfer sponsorship to the individual entities, primarily Numerica and/or Home. The Company, as sponsor, is responsible for the maintenance of these plans, including the costs associated therewith, to the extent reimbursement from the individual plan or the appropriate entities is not available. The Company, as sponsor, is also responsible for the costs and potential liabilities associated with the termination of these programs, again to the extent reimbursement from the individual plan or the appropriate entities is not available. The Company will be entitled, as sponsor, to any funds which may remain following the termination of these programs.

NOTE 4. BENEFITS (Continued)

a) Retirement Plan

The Company has maintained a noncontributory defined benefit plan covering all eligible employees of the Company, Numerica and Home. The plan was a final average pay plan with benefits based on the average salary rates on each January 1. The Company policy has been to fund the cost of benefits expected to accrue during the year plus amortization of any unfunded accrued liability that had accumulated prior to the valuation date. Pension related costs were allocated to the banking subsidiary for which the eligible employees either were directly employed or dedicated to functions to support the operations of these entities.

On June 18, 1991, the Board of Directors of the Company approved the termination of this retirement plan effective September 1, 1991. Based on the best information available at this time, management estimates that approximately $ 5,000 will revert to the Company upon receipt of final Internal Revenue Service ("IRS") termination approval. To the extent that the IRS requires distribution adjustments or other liabilities arise, this estimated reversion amount will be reduced or eliminated. To the extent no funds remain from the plan to fund these potential obligations, the Company will be responsible to fund these obligations from other corporate assets. Given these uncertainties the Company has delayed the recording of the effects of this termination until the final IRS approval has been received. Based on the information available at this time, this termination would result in an estimated gain of approximately $1,085,000. This gain represents the excess of the market value of plan assets as of September 1, 1991, the curtailment date, beyond that required for the estimated settlement of the plan liabilities. This gain would be partially offset by an estimated settlement loss of approximately $575,000. This loss effectively represents the increased cost, beyond that estimated at the curtailment date, associated with the purchase of annuities for plan liability settlements. The net gain of $510,000 approximates the remaining retirement plan liability which is included in the March 31, 1992 Balance Sheet entitled "Accrued Expenses and Other Liabilities".

b) Capital Accumulation Plan

The Company has maintained a qualified profit-sharing plan under section 401(k) of the Internal Revenue Code. This plan, known as the Capital Accumulation Plan, has been entirely voluntary and generally available to all eligible employees of entities within the consolidated group. This plan has allowed participating employees to enter into salary reduction agreements, whereby certain portions of their base compensation are deferred and invested by the plan trustee. The Company, subject to certain conditions, was required to match 25% of the first 6% of base compensation deferred by each employee. All costs associated with this plan were allocated to the banking subsidiary for which the eligible employees either were directly employed or dedicated to functions to support the operations of these entities.

The Board of Directors of the Company voted on November 21, 1991, to terminate the Capital Accumulation Plan effective October 12, 1991. IRS approval of this termination was received on February 18, 1992 and final distributions to plan participants were effected on March 27, 1992. The costs associated with the termination of the plan, in accordance with the plan documentation, are being absorbed by the Company and all fund assets have been fully distributed to the plan participants.

NUMERICA FINANCIAL CORPORATION (Parent Company Only)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

Numerica Financial Corporation (the Parent "Company"), was a multi-bank savings and loan holding company which owns all of the outstanding common stock of Numerica Savings Bank, FSB ("Numerica") and HomeBank, FSB ("Home"). Prior to October 10, 1991, Numerica and Home accounted for substantially all of the gross revenues, expenses, assets and liabilities of the Company. At September 30, 1991, the Company had no other operating subsidiaries other than Numerica and Home.

Management's Discussion and Analysis of Financial Condition and Results of Operations, which follows, should be read in conjunction with the Financial Statements of the Parent Company Only and related notes which are contained elsewhere in this document. The interim financial information presented herein as of March 31, 1992 and for the three months ended March 31, 1992 and 1991 is unaudited. The financial information as of December 31, 1991 was derived from the Form 10-K previously filed by the Company.

REGULATORY ACTIONS

On October 10, 1991, various governmental banking agencies took possession of eight financial institutions representing nearly 40% of New Hampshire's banking assets. These actions, which are discussed in greater detail in Note 1 of the Notes to Unaudited Financial Statements contained elsewhere herein, resulted from the severe recession which has seriously eroded real estate values and undermined the general economic viability of the Northeast and New Hampshire in particular. More specifically, effective that same date, the OTS took possession of the assets, property and business of Numerica and Home. The Federal Deposit Insurance Corporation ("FDIC") was appointed as the receiver for Numerica, while the Resolution Trust Corporation ("RTC") was appointed the receiver for Home. Certain assets, deposits and liabilities of Numerica and Dartmouth Bank and New Hampshire Savings Bank, both of which were also placed in receivership on October 10, were then transferred to New Dartmouth Bank. The receiver for Home has transferred certain assets, deposits and liabilities of Home to Home Bank Federal Savings Association.

GOING CONCERN UNCERTAINTY

As a result of the regulatory actions highlighted in the preceding paragraph, the Company lost control of and authority over all of the assets and liabilities of Numerica and Home including the disposition of the remaining assets and the resolution of any claims against these entities. Since the recorded liabilities of Numerica and Home exceeded their recorded assets at September 30, 1991, the Company does not expect to realize any value from its investments in Numerica and Home. The Company's only remaining assets on October 11, 1991, after a total loss of its' investments in Numerica and Home, are cash and short term investments of approximately $1.1 million and the cash value of life insurance policies which fund a Supplemental Retirement Plan for selected employees of the Company, Numerica and Home. None of these assets nor the proceeds thereof will be available for distribution to stockholders unless and until all of the Company's creditors' claims, including certain matters presently in litigation and/or potential claims, are satisfied. It is expected that these remaining assets will be utilized to satisfy creditor and other potential claims, defend and/or settle existing and potential litigation and position the Company for legal dissolution. Based on the current financial condition of the Company, as discussed below, it appears that a total loss of shareholders' value is likely.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

GOING CONCERN UNCERTAINTY (CONTINUED)

Historically, the Company has not conducted substantial operations of its own. Its primary purpose was to act as a holding company for its banking subsidiaries and provide certain consolidated services to same. As a result of the regulatory resolution of these banking subsidiaries, the Company has been left with a nominal net worth and no ongoing business activity. The Board of Directors has requested that management continue its efforts to resolve existing and potential liabilities and prepare the Company for dissolution. Management has indicated that no distribution will be available for shareholders unless and until all of the Company's creditors' claims, including certain matters presently in litigation and/or potential claims, are satisfied. Management expects that these remaining assets will be utilized to satisfy creditor and other potential claims, defend and/or settle existing and potential litigation and position the Company for legal dissolution. Based on the current financial condition of the Company, as discussed herein, it appears that any significant distribution to shareholders is unlikely. Accordingly, the ability of the Company to continue as a going concern is subject to significant uncertainty and substantial doubt.

FINANCIAL CONDITION

Total assets at March 31, 1992 were $ 1.036 million, a decline of $ 141,000 from $ 1.177 million at December 31, 1991. This decline is primarily attributable to a decline in liquid assets which were utilized to fund operating costs for the first quarter of 1992. Cash and Due From Banks declined by $ 271,000 from $ 892,000 at December 31, 1991 to $ 621,000 at March 31, 1992. In addition to funding the first quarter operating loss of $132,000 (See discussion of Results of Operations below), $120,000 was utilized to fund a deposit with the court related to the State Mutual litigation matter. As described more fully in Note 2 to the Unaudited Financial Statements, it is likely that additional deposits of $20,000 per month will be required until this matter is resolved.

The Company's common shares have historically traded on the National Association of Securities Dealers Automated Quotations ("NASDAQ") National Market System ("NMS") under the symbol "NUME". In July 1991, the Company was notified by the NASDAQ that they were reviewing the continuing listing eligibility of the Company's common stock. On July 22, 1991, NASDAQ removed the Company's stock from trading on the NASDAQ NMS and the Company's stock began trading on the NASDAQ Over-the-Counter ("OTC") market. On August 23, 1991, the Company notified the NASDAQ that it would not interpose an objection to the removal of the Company's common shares from listing and registration on the NASDAQ. The Company was notified on August 29, 1991 by NASDAQ that the Company's common stock had been removed from the NASDAQ OTC market effective that same date. As a result, the Company's stock no longer trades on any organized market and no active over-the-counter market has developed for the stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

The Company recorded an operating loss of $ 132,000 for the three months ended March 31, 1992 versus a loss of $ 1,605,000 for the same period in 1991. The 1991 loss was entirely attributable to the continuing recognition on an equity basis of the operating losses of the Company's previously controlled banking subsidiaries, Numerica and Home. During 1991, New Hampshire and the entire New England region were in the midst of a general economic decline which caused real estate, especially certain commercial construction and development properties to lose value. This in turn resulted in unprecedented levels of non-performing assets and loan loss provisions which were major contributors to the losses of these banking subsidiaries. These losses are now included in the Statement of Operations as "Equity in Net Losses From Discontinued Operations" resulting from the regulatory actions discussed above.

During the second quarter of 1991, the cumulative losses from the Company's banking subsidiaries exceeded the Company's aggregate Investment in Subsidiary Banks. As a result, consistent with generally accepted accounting principles, losses have been recorded to the extent of the Company's investment in these banking subsidiaries. Accordingly, net losses from these banking subsidiaries have not been included in the operating results for the period subsequent to June 30, 1991.

During the first quarter of 1991, excluding the loss recognition from these banking subsidiaries, the Company essentially operated on a break-even basis with operating revenues approximating operating expenses. During this time frame, the Company's primary activities were related to providing certain consolidated services on a cost basis to its banking subsidiaries. In the Statement of Operations, Operating Costs represent the cost of providing such services, while the reimbursement received for these services is included in Other Income. The extent of the services provided by the Company increased significantly in 1991 as the Company attempted to consolidate as many functions as possible in order to improve the operating efficiencies of these subsidiary institutions. Immediately following the October 10, 1991 regulatory actions, the Company ceased providing any such services to these entities.

The net loss incurred of $132,000 for the three months ended March 31, 1992 is attributable to efforts to resolve outstanding and potential litigation matters, terminate retirement and welfare benefit programs covering individuals previously employed by the Company, Numerica and Home and preparing the Company for dissolution. Management expects the Company to be unprofitable in future operating periods due to its limited financial resources and the ongoing costs associated with resolving outstanding and potential liabilities and preparing the Company for dissolution. Other Income recorded during this period represents the return of insurance premiums on certain terminated policies.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Income Taxes

Due to various taxable events that could occur regarding the anticipated resolution of Numerica, the Company elected in June 1991 to deconsolidate for federal income tax purposes effective January 1, 1990, thereby requiring each entity to be responsible only for its individual tax obligation. This deconsolidation has been approved by the OTS, however the Company is still awaiting final IRS approval. The Company has informally agreed to assist in fulfilling the responsibility, to the extent possible given the limited resources of the Company, for filing separate tax returns covering all entities within the consolidated group for 1991 through October 10, the date of regulatory resolution of the Company's subsidiaries. The Company does not have any recoverable taxes in prior years to which its current loss may be carried back. As such, the Company will not be able to obtain any tax benefit on the loss which it has incurred unless it generates taxable income in future periods. If the Company has taxable income in future periods, it will have to provide for taxes at the applicable federal and state tax rates, subject to any loss carryforward which may be available. It is not expected that the Company will have taxable income prospectively, since it does not have any significant income producing activities.

Part II OTHER INFORMATION

Item 1. Legal Proceedings

State Mutual

State Mutual Life Assurance Company of America ("State Mutual") has sent the Company notices of attornment, and of default and demand for payment of rent relating to a lease of the 8th floor of the Company's former offices ("Offices"). The Company ceased occupying the Offices on October 10, 1991 as a result of the receivership of Numerica Savings Bank by the FDIC. The Company believes that the lease was terminated by the action of the FDIC and State Mutual in depriving the Company access to and use of the Offices since October 10, 1991. The Company has filed in New Hampshire State Court a Petition for Declaratory Judgement and Other Relief against State Mutual to determine the status of the lease under which State Mutual claims to have succeeded to the rights of Hampshire Management, Inc. ("HMI"), as landlord through foreclosure on its mortgage on the building. HMI was a subsidiary of Numerica which owned the building containing the Offices. The case has been removed by State Mutual to the United States District Court for the District of New Hampshire and State Mutual has filed an Answer and Counterclaim alleging default of the lease and seeking payment of all amounts paid into court and other unspecified damages. The Company has responded to these claims. As a result of the FDIC receivership of Numerica, HMI has been controlled by the FDIC since October 10, 1991. The Company, during the first quarter of 1992, paid $100,000 into Court covering the rental sums allegedly due since November 1, 1991. These payments are reflected in the March 31, 1992 Balance Sheet as "Litigation Deposit Held By Court". The Company intends to pay approximately $20,000 into court on a monthly basis. The potential exposure to the Company should it be declared to be in default and should State Mutual be allowed to accelerate the rent, could be $4.5-$5.0 million reduced by any recovery to State Mutual through the re-leasing of the Offices. In the event that the Court finds that the lease has been terminated as claimed by the Company, it is probable that the amounts paid into the Court would be returned to the Company and that it would have no further liability pursuant to the lease. In the event that the Court finds the lease is still in effect, the Company believes that it will not be found to be in default under the lease and that the lease will be found to remain in effect with the Company having an ongoing liability to pay rent in the approximate amount of $20,000 per month; however, in such event the Company also believes that it would also be entitled to an abatement of rent for the period it was unable to occupy the Offices. The Company believes it is reasonably possible that it will prevail and that the lease will be found to have been terminated with no further liability to the Company.

Meeks

In early 1987, Numerica Financial Services, Inc. ("NFSI") (a now dissolved Florida based mortgage banking subsidiary of Numerica Savings Bank) executed an employment contract with Gary Meeks with term expiring December 31, 1990. As NFSI activities were winding down, Meeks left his position at NFSI on October 31, 1989 and commenced employment with another financial institution shortly thereafter. NFSI then terminated payments under the employment contract on grounds of substitutive employment. Shortly thereafter, Mr. Meeks brought suit in Florida State Court to enforce the employment contract.

Part II OTHER INFORMATION

Item 1. Legal Proceedings (Continued)

Meeks (Continued)

After discovery and while awaiting trial, the Florida State Court refused a continuance and Florida counsel for the Company, on an unauthorized basis, stipulated to a Default Judgement ("Judgement"), without trial on the merits, against the Company, NFSI and Numerica Savings Bank in the amount of $168,428.00 plus interest. This Judgement, which arose from a major procedural dispute, was immediately appealed by all of the Defendants and the Company has pending a motion to alter the Judgement in the Florida court. While the appeal was pending, Numerica Savings Bank was taken over by the FDIC as Receiver on October 10, 1991 and the FDIC, on October 23, 1991, removed the Meeks litigation to United State District Court, Middle District of Florida, Tampa Division. Mr. Meeks has filed a Motion for Entry of Judgment against the Company to the above described court to which the Company has objected. The Company has also sought to have this court consider a Motion to Alter or Amend this Judgement due to the major procedural errors which took place and allow a trial on the merits. On September 19, 1991, Mr. Meeks initiated a companion action in New Hampshire (first in the State Superior Court) to enforce his Florida Judgment. Although this action was removed to the Federal Court by the FDIC, it was later remanded to New Hampshire Superior Court, where Mr. Meeks has pending motions for summary judgement and prejudgement attachment. A hearing was held on the prejudgment attachment motion on April 16, 1992. The Hillsborough County Superior Court denied Mr. Meeks motion for prejudgment attachment on April 27, 1992. The Company believes that defenses exist to all of the claims asserted by Mr. Meeks and seeks only to have a full hearing in trial court on any claims against it. In the event that the Company's motions in the Florida court are unsuccessful, it may be required to post a bond in the amount of $200,000 to stay execution of the Judgement pending appeal.

Kuehl

By Writ dated July 26, 1991, David Kuehl and Jean Kuehl brought suit in Rockingham County Superior Court in New Hampshire seeking unspecified damages against Numerica Savings Bank, HomeBank, FSB, Numerica Financial Corporation, several present and former officers of HomeBank, FSB and all of the directors of HomeBank, FSB, Numerica Savings Bank and Numerica Financial Corporation, in a thirty six (36) count lender liability action. Mr. and Mrs. Kuehl's complaint alleges misrepresentations by certain officers of HomeBank, FSB to Mr. Kuehl in connection with HomeBank's financing of Mr. and Mrs. Kuehl's purchase of a four (4) family apartment house in North Conway, New Hampshire. Mr. and Mrs. Kuehl are claiming the alleged misrepresentations led to their default on the financing for the North Conway, New Hampshire property. The default, they allege, led to a default on approximately ten (10) loans secured by other commercial properties they had financed through Numerica Savings Bank and HomeBank, FSB. The Kuehls also claim defamation of credit and breach of confidentiality. The case was removed to the United States District Court for the District of New Hampshire on October 25, 1991. On February 7, 1992, the Kuehls filed a thirty-six count, Amended Complaint with the United States District Court for the District of New Hampshire. The 36 counts make essentially the same allegations as the Writ originally filed in the Rockingham County Superior Court. The Kuehls have now specifically alleged that they have been damaged in the amount of $3,000,000. The defendants have filed a Motion to Dismiss all counts against the individual defendants and the Company. The Company intends to vigorously defend the case and does not believe a recovery against the Company or its directors is likely.

Part II OTHER INFORMATION

Item 1. Legal Proceedings (Continued)

Lawton

On July 5, 1991, Eugene Lawton, former corporate auditor of the Company, brought suit in Federal District Court in the District of New Hampshire against the Company claiming wrongful discharge and wrongful infliction of emotional distress. Mr Lawton's employment with the Company was terminated effective as of April 13, 1990 at which time his annual salary was approximately $52,000. The Company filed an answer to the complaint on August 12, 1991. A pretrial conference was held on October 2, 1991 and the case is now in discovery. Mr. Lawton's demand is for reinstatement and for actual and enhanced damages in the amount of $500,000. The Company denies that Mr. Lawton's termination was wrongful or that it otherwise wrongly caused him harm and the Company intends to vigorously defend the case and does not believe a recovery against the Company is likely.

Regulatory Uncertainties

On October 10, 1991, the OTS took possession of the assets, property and business of Numerica and Home. The Federal Deposit Insurance Corporation was appointed as the receiver for Numerica, while the Resolution Trust Corporation was appointed the receiver for Home. Certain assets, deposits and liabilities of Numerica and other banks that were also placed in receivership on October 10, were then transferred to New Dartmouth Bank. The receiver for Home has transferred certain assets, deposits and liabilities of Home to Home Bank Federal Savings Association. While the Company has not received any formal demands or claims against it from either the FDIC or the RTC, it is not known whether the liquidation process underway related to Numerica or Home will result in any demands or claims by the FDIC or RTC against the Company.

As a result of these regulatory actions, the Company, by operation of law, no longer is a savings and loan holding company. The Company has notified the OTS formally of the fact and has requested that the OTS formally acknowledge the deregistration of the Company. The Company, at the request of the OTS, has completed certain forms and provided certain information to the OTS and has recently been notified that the deregistration process will begin following the resolution of the Company's Supplemental Income Security Plan. The Company is currently discussing the termination of this plan with the FDIC and the RTC. The OTS has indicated that they will adhere to the guidance from these regulatory agencies in the resolution of this issue. The Company believes that following the resolution of this issue that the OTS will formally acknowledge that the Company is no longer a savings and loan holding company and that ongoing regulatory supervision will no longer be provided.

In connection with the formation of the Company and the acquisition of Home, the Company was requested by the OTS to stipulate to a Regulatory Capital Maintenance Resolution. The Stipulation required, among other things, that the Company provide sufficient capital to Numerica and Home to enable them to maintain compliance with regulatory capital requirements during the time that the Company controlled both entities. At the time that Numerica and Home were placed into receivership by the OTS, neither institution was in compliance with existing regulatory requirements and the Company did not have sufficient financial resources to enable these entities to achieve regulatory capital compliance. While nothing has been initiated to date, the regulatory agencies could seek to initiate administrative or judicial proceedings against the Company for non-compliance with this Stipulation.

Part II OTHER INFORMATION

Item 1. Legal Proceedings (Continued)

Regulatory Uncertainties (Continued)

On August 2, 1991, the OTS directed the Company to discontinue retirement benefit payments to the retirees under the Numerica Financial Corporation Supplemental Income Security Plan (the "Security Plan"). Further, the OTS directed the Company to cease any additional premium payments on the life insurance policies used to fund the Security Plan obligations. The Company complied with these directions and maintained a steady dialogue with the OTS in an effort to terminate the Security Plan and amicably resolve this matter.

On October 31, 1991, the OTS directed the Company to liquidate the life insurance policies and pay the cash values to the receivers for Numerica and Home. In light of the Company's obligations to the Security Plan participants/beneficiaries, the Company has not complied with this direction. The Company has and continues to work diligently to resolve this matter. The Company is currently discussing the Security Plan resolution with the receiver for Numerica (the FDIC) and the receiver for Home (the RTC). The OTS has recently indicated that they will adhere to the guidance provided by these regulatory agencies.

Two former employees have recently demanded payment from the Company under the Security Plan. In addition, one retired participant has recently passed away. The OTS directive to discontinue payments to the retired participants/beneficiaries has subjected these individuals to considerable hardship. It is likely that litigation could ensue if the Company is unsuccessful in obtaining regulatory approval to terminate the Security Plan.

Items 2-5. Not Applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) *Exhibits*

10. Employment and Retention Agreement dated March 25, 1992 between David A. Heaberlin and the Company

(b) *Reports on Form 8-K*

None

NUMERICA FINANCIAL CORPORATION (Parent Company Only)

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NUMERICA FINANCIAL CORPORATION

MAY 4, 1992

By: Ralph E. Jensen

Ralph E. Jensen
President and
Chief Executive Officer

By: David A. Heaberlin

David A. Heaberlin
Executive Vice President
Chief Financial Officer
Principal Accounting Officer

EMPLOYMENT AND RETENTION AGREEMENT

EMPLOYMENT AND RETENTION AGREEMENT made as of the 25 day of March, 1992, by and between David H. Heaberlin ("Employee") of Merrimack, New Hampshire, and Numerica Financial Corporation ("NFC"), a financial services corporation having a principal office at Independence Plaza, 15 Constitution Drive, Bedford, New Hampshire.

WHEREAS, NFC originally contracted and agreed to employ Employee and Employee agreed to be employed by NFC, commencing August 14, 1990, as Executive Vice President and Chief Financial Officer under the terms of a Change of Control and Relocation Payment Agreement; and

WHEREAS, the Office of Thrift Supervision expressly reviewed and approved the Change of Control and Relocation Payment Agreement and Employee's employment in August, 1990;

WHEREAS, Employee has fully and faithfully performed the services and executed the duties and responsibilities set forth in the Change of Control and Relocation Payment Agreement;

WHEREAS, the "change of control" envisioned and anticipated in the referenced Change of Control and Relocation Payment Agreement has now occurred with the resolution of Numerica Savings Bank on October 10, 1991;

WHEREAS, NFC requires and has specifically requested the continued services and employment of Employee to discharge its obligations and responsibilities in the wind-down of the corporation;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter described and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

1. Employment. NFC hereby employs Employee and Employee hereby accepts employment, from the date of this Agreement and continuing until April 15, 1992 (said period of time being herein referred to as "Term") upon the terms, conditions and provisions as set forth herein. This Agreement may be subject to extensions upon the mutual written consent of the parties hereto.

2. Duties of Employee. Employee shall also be employed by NFC as its Executive Vice President, Secretary, Chief Financial Officer and Treasurer. In such capacities, Employee shall be responsible for carrying out all of the duties normally attendant to such positions and such other duties and obligations as may be reasonably required by NFC's Board of Directors. Without limiting the foregoing, Employee shall be specifically required during the Term of this Agreement to timely and accurately complete third quarter 1991, year-end 1991 and first quarter 1992 financial statements for the corporation. If Employee's employment is extended by mutual written agreement beyond April 15, 1992, he shall have responsibility for completing quarterly financial statements during such extension of his employment. Employee shall also be required to prepare and file all necessary

financial reports and documents with the Securities and Exchange Commission, the banking authorities and other governmental agencies. Employee shall further devote all of his time and energies to the performance of his duties and obligations hereunder, which he shall carry out in good faith and in a manner that is loyal to NFC.

3. Compensation. During the Term of this Agreement, Employee shall be entitled to receive the following compensation:

(a) **Base Salary.** NFC shall pay to the employee the sum of $12,083 per month payable weekly beginning October 16, 1991;

(b) **Retention Incentive Payments.** NFC shall pay to the Employee retention incentive payments equal to $112,500 in equal monthly installments of $18,750 as follows:

October 15, 1991	$18,750.00 (received)
November 15, 1991	$18,750.00
December 15, 1991	$18,750.00
January 15, 1992	$18,750.00
February 15, 1992	$18,750.00
March 15, 1992	$18,750.00

(c) **Benefits.** NFC shall pay Employee the sum of $2,175 per month payable on or before the 15th of each month to purchase benefits, in his sole discretion, comparable to those provided under the Change of Control and Relocation Payment Agreement dated August, 1990. Employee acknowledges that NFC will provide no benefits to Employee other than as set forth in this Section 3.

4. Termination of Agreement. It is intended that this Agreement not terminate prior to April 15, 1992; and in fact, this Agreement may be further extended by mutual written agreement of the parties as hereinafter provided. For purposes of this Agreement and any extension thereof, termination of the Employee's employment with NFC shall be deemed "without cause"

unless such termination is occasioned upon one of the following events:

(a) Employee's death or disability;

(b) Employee's voluntary resignation or voluntary cessation of performance of duties without the prior written consent of NFC's Board of Directors;

(c) Material dereliction in the performance of Employee's duties;

(d) Employee's willful violation of any law, rule, final cease and desist order or regulation (other than traffic violations or similar offenses) or any other action which, in the reasonable opinion of NFC's Board of Directors, brings NFC into disrepute;

(e) Employee's incompetence or unsatisfactory performance as determined in accordance with the regular evaluation procedures of NFC;

(f) Gross or willful misconduct or material breach of any of the terms and conditions of employment by the Employee;

(g) Fraud, misappropriation, embezzlement or other act of personal dishonesty by the Employee;

(h) Employee's intentional failure to perform stated duties; or

(i) Employee's breach of fiduciary duty involving personal profit.

Upon any termination of this Agreement upon any event specified in this Section 4 prior to the end of the Term, Employee shall have no further right to compensation; and NFC shall have no further obligations to Employee, and all employment benefits shall cease. Upon any termination of this Agreement resulting from any event specified in Paragraphs (b), (c), (d), (f), (g), (h) or (i) of this Section 4 prior to the end of the Term, Employee shall be obligated to return to NFC all retention incentive payments received pursuant to Section 3(b) of this Agreement. Upon termination of this Agreement prior to the end of the Term for any reason not set forth above, Employee shall be entitled to receive the amounts payable hereunder through the end of the Term.

5. Modification of Term of Employment. The parties, by mutual written agreement, may elect to extend or shorten the term of employment described herein. Any such extension or reduction shall be on such terms and conditions as the parties may mutually agree upon.

6. Legal Fees and Expenses. Upon presentation of appropriate bills, invoices and/or other records, NFC shall be obligated to promptly reimburse Employee, or pay directly, at Employee's option, all legal fees and expenses incurred by Employee in connection with or associated with, directly or indirectly, the negotiation, preparation and execution of this Agreement; provided that in no event shall NFC's obligation hereunder exceed $7,500.

7. Successors. This Agreement shall inure to the benefit of and be binding upon the successors to NFC, but shall be personal to the Employee and shall not be assignable by him.

8. Governing Law. The provisions of this Agreement shall be governed by the laws of the State of New Hampshire.

9. Release. At the conclusion of the Term of this Agreement, but no later than April 17, 1992 provided NFC has fully performed hereunder, Employee shall be required to execute a general release in favor of NFC

and all its affiliates, past or present, from and against all obligations, rights or entitlements arising out of or related to, directly or indirectly, his employment by NFC. Specifically, but without limitation, such release would discharge NFC from any and all obligations it may have to Employee associated with or arising from, directly or indirectly, the Change of Control and Relocation Payment Agreement dated August, 1990. Such release would not apply to any extension of Employee's employment by mutual agreement of parties after April 15, 1992.

10. __Entire Agreement.__ This Agreement contains the entire understanding between the parties hereto and may be changed only by an agreement in writing subject to the prior approval of the Board of Directors of NFC. This Agreement supersedes all prior employment contracts with Employee, including the Change of Control and Relocation Payment Agreement dated August 14, 1990, and executed in December, 1990. However, if NFC breaches the terms and conditions of this Agreement, employee shall have the right, at his election, to reinstitute the terms, conditions and provisions of the referenced Change of Control and Relocation Payment Agreement.

IN WITNESS WHEREOF, Employee and NFC, by its President and Chairman, have executed this Agreement all as of the day and year first above written.

DDellacava
Witness

David A. Heaberlin
David H. Heaberlin

NUMERICA FINANCIAL CORPORATION

DDellacava
Witness

By: Ralph E. Jensen
Ralph E. Jensen, President

DDellacava
Witness

John J Reilly
John J. Reilly, Jr., Chairman

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

500 North Capital Street, Rodm 130

Washington, D. C. 20549

PROCESSED BY
AUG 8 1992
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For Quarter Ended February 29, 1992

Commission file number: 0-17167

Pacific Energy & Mining Company

(Exact Name of Registrant as Specified in its Charter)

Nevada	95-4144026
State or other jurisdiction of incorporation	IRS Employer Identification Number

P.O. Box 18148
Reno, NV 89511

(702) 852-7444

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes_X_ No___

On February 29, 1992 there were issued and outstanding 1,554,268 shares of the Common Stock, par value $0.001 per share, and 1,032,500 shares of the Preferred Stock, par value $0.001 per share, of the registrant.

BEST COPY
AVAILABLE

PACIFIC ENERGY & MINING COMPANY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED
FEBRUARY 29, 1992

Part I. FINANCIAL INFORMATION

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PACIFIC ENERGY AND MINING COMPANY
CONSOLIDATED BALANCE SHEETS
February 29, 1992 and August 31, 1991

ASSETS		February 29, 1992		August 31, 1991
		Unaudited		Unaudited
CURRENT ASSETS:				
Cash	$	2,477	$	8,443
Accounts Receivable		592,576		221,675
Other receivables		168,427		171,733
Inventory		653,650		729,429
Supplies and Prepaids		112,282		110,210
TOTAL CURRENT ASSETS		1,529,412		1,241,490
NET PROPERTY AND EQUIPMENT		1,018,694		1,092,062
OTHER ASSETS				
Long term investments		27,827		22,699
Deferred costs		56,754		58,882
Due from related parties		57,007		43,905
		141,588		125,486
TOTAL ASSETS	$	2,689,694	$	2,459,038

See Notes to Unaudited Consolidated Financial Statements.

PACIFIC ENERGY & MINING COMPANY
CONSOLIDATED BALANCE SHEETS
February 29, 1992 and August 31, 1991

LIABILITIES AND SHAREHOLDERS' EQUITY	February 29, 1992 Unaudited	August 31, 1991 Unaudited
CURRENT LIABILITIES		
Short term borrowing	$ 827,848	$ 919,271
Accounts payable	828,537	863,499
Current maturities of long term debt	0	0
TOTAL CURRENT LIABILITIES	1,656,385	1,782,770
OTHER LIABILITIES		
Deferred liabilities	18,037	18,713
Long term debt	0	0
Due to related parties	311,069	292,697
TOTAL OTHER LIABILITIES	329,106	311,410
TOTAL LIABILITIES	1,985,491	2,094,180
MINORITY INTEREST	107,822	33,872
SHAREHOLDERS' EQUITY		
Preferred stock - authorized 10,000,000 par value $.001, issued and outstanding 1,032,500	1,032	1,032
Common stock - authorized 100,000,000 shares par value $.001 - issued and outstanding 1,554,268	1,554	1,554
Additional paid in capital	2,015,479	2,015,479
Dividends	(100,000)	(100,000)
Cumulative foreign currency translation adjustment	(492,561)	(465,278)
Retained Earnings (deficit)	(829,123)	(1,121,801)
TOTAL SHAREHOLDERS' EQUITY	596,381	330,986
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,689,694	$ 2,459,038

See Notes to Unaudited Consolidated Financial Statements.

PACIFIC ENERGY & MINING COMPANY
CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended		Six Months Ended	
	February 29, 1992	February 28, 1991	February 29, 1992	February 28 1991
	Unaudited	Unaudited	Unaudited	Unaudited
SALES	$ 92,350	$ 42,124	$ 93,916	$ 42,363
COSTS AND EXPENSES				
Cost of sales	45,371	(7,116)	45,371	12,500
Selling and admin. exp.	25,642	120,258	47,790	166,053
Interest	3,858	8,727	9,376	12,854
TOTAL COSTS AND EXPENSES	74,871	121,869	102,537	191,407
	17,479	(79,745)	(8,621)	(149,044)
OTHER INCOME (EXPENSES)-NET	29,924	2,066	376,308	3,384
NET INCOME/(LOSS) BEFORE MINORITY INTEREST	47,403	(77,679)	367,687	(145,660)
MINORITY INTEREST	10,607	1,261	75,009	(5,047)
NET INCOME/(LOSS)	$ 36,796	$ (78,940)	292,678	(140,613)
NET INCOME/(LOSS) PER COMMON SHARE	$ 0.024	$ (0.001)	0.188	(0.002)
WEIGHTED AVERAGE NUMBER OF COMMON STOCKS OUTSTANDING	1,554,268	86,510,000	1,554,268	86,510,000

See Notes to Unaudited Consolidated Financial Statements.

PACIFIC ENERGY & MINING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended February 29, 1992 Unaudited	For the six months ended February 28, 1991 Unaudited
CASH FLOWS FROM OPERATING ACTIVITES		
Cash received from customers	$ 40,756	$ 51,091
Cash paid to vendors and employees	(17,002)	(100,065)
Interest paid	(9,376)	(12,854)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	14,378	(61,828)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(19,774)
Purchase of marketable securities		
Proceeds from sale of marketable securities		
Acquisition of partnership interest		
Partnership distributions	7,500	26,666
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	7,500	6,892
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of short-term and long-term borrowings	(27,656)	(9,083)
Principal payments under short-term and long-term borrowings		8,122
Payments received on insurance settlement		
Advances from related parties		39,575
Repayment to related parties		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(27,656)	38,614
EFFECT OF FOREIGN CURRENCY TRANSLATION	(188)	(64)
NET INCREASE (DECREASE) IN CASH	(5,966)	(16,386)
CASH BALANCE, Beginning of period	8,443	53,500
CASH BALANCE, End of period	$ 2,477	$ 37,114

See accompanying Notes to Consolidated Financial Statements.

PACIFIC ENERGY & MINING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS, Continued

	For the six months ended February 29, 1992	For the six months ended February 28, 1991
	Unaudited	Unaudited
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED), BY OPERATING ACTIVITIES:		
Net income (loss)	$ 292,678	$ (140,613)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization of property and equipment	59,732	63,201
Minority interest in net income of subsidiary	(9,360)	(5,047)
Partnership income	(12,930)	(41,292)
Write-off of investments and advances		
Prior period adjustment securities	(325,753)	
(Increase) in equipment	(2,766)	
(Increase) in accounts receivable	(53,160)	8,728
(Increase) in other receivables	(1,276)	(958)
(Increase) decrease in inventory	49,529	(40,589)
(Increase) in prepaid expenses	(6,055)	7,183
(Increase) in deferred costs	0	0
Increase (decrease) in accounts payable and accrued expenses	(21,998)	109,508
Increase (decrease) in deferred liabilities		
Increase in due to related parties	5,270	
Other, net	40,467	(21,949)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 14,378	$ (61,828)

NONCASH TRANSACTIONS:

1. Effects of foreign currency translation
2. Changes in minority interest
3. Debentures converted to preferred stock
4. Common stock exchanged for common stock of Kamputech, Inc.
5. Common stock issued to related party in settlement of debt
6. Forgiveness of obligation to related party
7. Property and equipment acquired for debt
8. Due to related party converted to long-term debt
9. Property and equipment acquired from related party

See accompanying Notes to Consolidated Financial Statements.

PACIFIC ENERGY & MINING COMPANY
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

February 29, 1992

1. Comments

In the opinion of the management of the Company, the accompanying condensed unaudited financial statements contain all adjustments, consisting of only normal recurring accruals, necessary to present fairly the financial position at February 29, 1992, and cash flows for the six months ended February 29, 1992. Certain information and footnote disclosure normally included in financial statements that would have been prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although management of the Company believes that the disclosures in these financial statements are adequate to make the information presented therein not misleading.

The results of operations for the six months ended February 29, 1992 are not necessarily indicative of the results of operations to be expected for the full fiscal year ending 1992.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Pakistan Chrome Mines Limited resumed sales on chrome ore and magnasite domestically in Pakistan, and has started to accumulate high grade refractory chrome ore for shipment under a contract to an international manufacturer of refractories. The contract calls for shipment of three thousand metric tons of 53% chrome ore at a price of $175 per metric ton. Pakistan Chrome has applied for a $3.0 million line of credit in order to complete the construction of the magnesia plant at the Karachi Export Processing Zone.

The criminal complaint against the company by the Los Angeles County District Attorney was dismissed by the Superior court, however a single count for the transportation of hazardous waste remains against the President of the company. On march 12, 1992 the President of the company and two associates were indicted by a Federal grand jury in Los Angeles. The indictment accuses the President of the company of Arson, conspiracy to commit arson, mail fraud and export of hazardous waste. The allegations contained in the Federal indictment were a result of the criminal charges by the LA County District Attorney. During March 1991 the Federal prosecutor and the Los Angeles County Prosecutor had offered the company and its President a plea agreement under which the President was to plead guilty to a single Federal charge of export of Hazardous waste. However the prosecutors stated that the failure of the President of the company to enter a guilty plea would result in a Federal indictment. The defendants in the indictment have denied all allegations and are looking forward to the trial. The companies current liabilities decreased $126,385 while total liabilities decreased by $108,689. Shareholders equity increased by $265,395 over the same period, August 31, 1991 to February 29, 1992. Sales increased to $92,350 compared to $42,124 for the same period for 1991. Earnings for the Six months ended February 29, 1992 were 18.8 cents per share versus a loss of 0.002 cents loss per share for the same period last year.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Form 8-K Filed January 13, 1992 amending Form 10-K, item 5. Market for Registrant's Common Stock and Related Stockholder Matters.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Pacific Energy and Mining Co.

Date: February 19, 1992

TARIQ I. AHMAD Tariq Ahmad
Tariq Ahmad
President

Date: February 19, 1992

RHONDA AHMAD Rhonda Ahmad
Rhonda Ahmad
Secretary

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED MARCH 31, 1992

COMMISSION FILE NUMBER 0-3132

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)
Exact name of Registrant as specified in its charter

CALIFORNIA	94-1612110
(State or other jurisdiction of incorporation or organization)	(Internal Revenue Service Employer Identification Number)

POST OFFICE BOX 5615
FRESNO, CALIFORNIA 93755-5615
Address of principal executive offices

(209) 434-2800
Registrant's telephone number

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes_X_ No____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

COMMON STOCK, $.10 PAR VALUE	8,509,920 Number of shares of common stock outstanding March 31, 1992

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PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

PART I: Financial Information

ITEM 1 - Financial statements

ITEM 2 - Management's discussion and analysis of financial condition and results of operations

PART II: Other Information

ITEM 1 - Legal Proceedings

ITEM 4 - Submission of matters to a vote of security holders

PART I

ITEM 1 - Financial statements

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

BALANCE SHEET

(UNAUDITED)

	March 31,	
	1992	1991
ASSETS		
CURRENT ASSETS:		
Certificate of Deposit	$ 70,000	$ 70,000
Inventory	7,150	10,510
Prepaid expenses	0	20,939
Notes receivable	239,000	299,000
Notes receivable - Common Stock Subscribed	200,000	0
Deposit	25,000	0
TOTAL CURRENT ASSETS	541,150	400,449
PROPERTY AND EQUIPMENT - AT COST:		
Land - unimproved	240,000	0
Land - improved	288,700	278,700
Building	611,326	638,504
Improvements	54,757	31,147
Property and equipment (successful efforts methods of accounting)	240,538	140,236
	1,435,321	1,088,587
Less: Accumulated depreciation	(88,519)	(92,994)
TOTAL PROPERTY AND EQUIPMENT	1,346,802	995,593
INVESTMENT - AT COST	956,565	52,639
	$2,844,517	$1,448,681

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

BALANCE SHEET

(UNAUDITED)

(CONTINUED)

	March 31,	
	1992	1991
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 220,755	$ 146,707
Royalties Payable	18,482	0
Income Taxes Payable	8,111	0
Notes payable	69,500	310,398
Current portion of long-term debt	45,003	129,011
Lease deposits	2,838	2,838
TOTAL CURRENT LIABILITIES	364,689	588,954
LOANS FROM STOCKHOLDERS	67,494	59,274
LONG-TERM DEBT, NET OF CURRENT PORTION	760,088	446,838
TOTAL LIABILITIES	1,192,271	1,095,066
STOCKHOLDERS' EQUITY:		
Common stock, $.10 par value; authorized 100,000,000 shares; issued and outstanding: 8,509,920 shares March 31, 1992; 4,909,922 shares March 31, 1991; 2,000,000 shares pending transfer from transfer agent	850,992	690,992
Common stock subscribed	200,000	0
Additional paid-in capital	2,637,078	1,452,926
Accumulated deficit	(2,035,824)	(1,790,303)
TOTAL STOCKHOLDERS' EQUITY	1,652,246	353,615
	$2,844,517	$1,448,681

See Notes to Financial Statements

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

STATEMENT OF REVENUE AND EXPENSES AND ACCUMULATED DEFICIT

(UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
REVENUE:				
Sales of crude oil and gas	$ 8,508	$ 21,473	$ 20,416	$ 67,044
Royalty income	3,035	734	3,583	14,393
Oil lease income	0	7,549	11,224	19,549
Rent - building	185	3,501	4,797	19,560
Gain on sale of property	0	0	0	729
Other	0	1,617	0	1,617
	11,728	34,874	40,020	122,892
COSTS AND EXPENSES:				
Cost of operations	55	38,137	6,839	59,045
Depreciation and depletion	9,154	8,743	27,462	28,883
Shared overhead charge	0	0	0	14,000
General and administrative expenses	25,275	106,716	105,733	280,478
Building expense	573	18,855	31,723	67,269
	35,057	172,451	171,757	449,675
Net loss	(23,329)	(137,577)	(131,737)	(326,783)
Accumulated deficit, beginning of period	(2,012,495)	(1,652,726)	(1,904,087)	(1,463,520)
Accumulated deficit, end of third quarter	$(2,035,824)	$(1,790,303)	$(2,035,824)	$(1,790,303)
PER SHARE DATA				
Net loss per share	$ (.01)	$ (.02)	$ (.02)	$ (.05)

See Notes to Financial Statements

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

NOTES TO FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 1992

(UNAUDITED)

NOTE A - GENERAL

The unaudited financial statements of Pan American Energy Corporation for the quarter ended March 31, 1992 reflect all adjustments, which are of a normal recurring nature, which are, in the opinion of management, necessary for a fair statement of the results of operations for the period then ended.

NOTE B - NET ASSET ACQUISITION

The Corporation acquired, effective June 29, 1990, specified assets and liabilities of Supreme Investors, Inc. Supreme Investors, Inc. is an affiliate corporation with interrelated directors. The total cost of the acquisition was $400,000 which exceeded the net assets of Supreme Investors, Inc. by $45,700. The excess was allocated to building and land-improved, based on appraisal values and will be depreciated over the estimated remaining useful lives of the assets.

The purchased price for the specified assets and liabilities was four million (4,000,000) shares of Supreme Oil and Gas Corporation (name changed to Pan American Energy Corporation) common stock, valued for the transaction at $.10 per share. The purchase price involved two million (2,000,000) shares of Supreme Oil and Gas Corporation stock issued to Supreme Investors, Inc. upon close of escrow (September 13, 1990), and a $200,000 promissory note, due on or before August 31, 1991, convertible to two million (2,000,000) shares by the holder of the note. The effective date of the stock and promissory note was also June 29, 1990. The specified assets and related liabilities purchased included a commercial building with land, vacant land, half interest in an oil well, securities in other corporations and notes receivables.

During the quarter ending December 31, 1991 the Corporation completed the acquisition of 463,397 shares of Tri Valley Corporation, an oil and gas and minerals corporation, located in Bakersfield, CA, and 61,650 shares of SOLV-EX Corporation common stock, an oil and gas corporation with mineral assets in Canada. The Corporation plans to continue its diversification of assets by acquiring security positions in other public companies.

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

PART I

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources:

The Corporation experienced lower oil revenues during the quarter ending March 31, 1992, due to lower world oil prices. The Kliewer oil well 82-29 acquired in June 1990 was put into service on September 21, 1990. The production operations of Kliewer 82-29 oil well have been idle since March, 1991 pending expansion of the pooled acreage and the completion of a well for disposal of producted water.

The Corporation had decreased expenses during this quarter because the Corporation closed its office in San Jose, California in June, 1991. This included the termination of one employee and reduced expenses such as rent, utilities and general office expense. The Corporation also closed its office in Fresno, California in July, 1991 and moved into the residence of the Corporation's President. The closing of the office included the termination of a manager and six employees plus the reduction of expenses such as rent, utilities and general office expenses. Additionally, legal and accounting costs were reduced due to the Corporation not preparing securities offerings to raise funds or lack of special projects.

Management plans on expending funds for the reduction of corporate debt, the purchase of oil properties and capital improvements in areas such as the development of a water disposal well for the Kliewer oil well. Capital will be obtained from notes receivable, short-term borrowing and the anticipated sale of corporate securities through Section 3a-11 of the Securities Act of 1933.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Results of Operations:

The Corporation purchased an office building in Bakersfield, California June, 1990. The Corporation had been negotiating with Santa Paula Savings and Loan Association (Santa Paula), the holder of the first deed of trust on the office building, to restructure the terms of repayment. Santa Paula was acquired by the Resolution Trust Corporation (RTC) in or about November, 1991. After requesting two written proposals from the Corporation and making certain commitments, without making any counter proposals, the RTC, on January 22, 1992, held a foreclosure sale, wherein the RTC, as receiver for Santa Paula acquired the title to the office building. Management of the Corporation is of the belief that the property was wrongfully taken. The Corporation filed an action on February 26, 1992 in Federal Court to regain title to the building. The outcome of any litigation or negotiations is not presently known.

During the quarter ending March 31, 1992, the Corporation, following its strategy of further diversification, acquired 225,000 shares of Energy Reserve., Inc., an Arizona public corporation, in the oil business in Kern County, California, acquired a group of lots in Santa Cruz County, California, acquired a vacant lot near Sanger, California in Fresno County, California, acquired a residential house in Fresno, California, and acquired eight (8) oil wells from Shelly Energy, Inc. The oil wells will become a part of the permanent assets of the Corporation adding to the Corporation's cash flow from its primary oil production business, while the other assets acquired will be retained for investment purposes, and sold for cash as the opportunity allows.

The gross revenue has decreased substantially compared to the same quarter last year due to the decrease in oil prices, the problems with the office building as described above and the idleness of the Kliewer 82-29 oil well as illustrated below:

	Quarter Ended March 31,	
	1992	1991
Sales of crude oil	$ 8,508	$ 21,473
Royalty income	3,035	734
Oil lease income	0	7,549
Rental income	185	3,501
Other income	0	1,617
Total revenue	$ 11,728	$ 34,874

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Results of Operations (Continued):

The following table sets forth pertinent information relating to the Corporation:

	Revenue and Operation Expense Quarter Ended March 31, 1992	 1991
Revenue	$ 11,728	$ 34,874
Less:		
Costs of operations	55	38,137
General and administrative expenses	25,275	106,716
Depreciation/depletion	9,154	8,743
Building expense	573	18,855
Income/(loss)	$ (23,329)	$ (137,577)

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

PART II

ITEM 1 - Legal Proceedings

The Corporation filed an action on February 26, 1992 in Federal Court against Santa Paula Savings and Loan Association and the Resolution Trust Corporation as Receiver for Santa Paula Savings and Loan Association to recover title to the office building in Bakersfield which the Corporation believes was wrongfully taken.

ITEM 4 - Submission of matters to a vote of security holders

No matters were submitted to a vote of the security holders during the quarter ending March 31, 1992.

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CEO, CFO

Date: 4/20/92

Wayne E. Crumpley
Chief Financial Officer

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

QUARTER ENDED MARCH 31, 1992

COMMISSION FILE NUMBER 0-3132

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

For the Quarter Ended May 2, 1992

Commission file number 33-27126

PEEBLES INC.

Virginia (State of Incorporation)	54-0332635 (I.R.S. Employer Identification No.)
One Peebles Street South Hill, Virginia 23970-5001 (Address of principal executive offices)	(804) 447-5200 (Telephone Number)

Indicate by check (x) whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x . No _____.

As of May 2, 1992, 2,913,562 shares of Common Stock of Peebles Inc. were outstanding.

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Part 1: Item 1. FINANCIAL STATEMENTS

PEEBLES INC.

CONDENSED BALANCE SHEET

(dollars in thousands, except per share amounts)

	May 2, 1992 (Unaudited)	February 1, 1992	May 4, 1991 (Unaudited) (Restated)
A S S E T S			
CURRENT ASSETS			
Cash	$ 246	$ 97	$ 106
Accounts receivable, less allowance for doubtful accounts of $1,345, $1,345, and $1,355, respectively	24,864	28,392	26,353
Merchandise inventories	42,135	39,767	42,649
Prepaid expenses	961	606	954
Other current assets	2,652	4,533	828
TOTAL CURRENT ASSETS	70,858	73,395	70,890
PROPERTY AND EQUIPMENT, net	18,772	18,435	18,375
BUILDINGS UNDER CAPITAL LEASE, net	1,720	1,784	1,918
OTHER ASSETS			
Excess of cost over net assets acquired, net	41,714	42,136	69,839
Other	9,598	9,815	15,031
	51,312	51,951	84,870
	$142,662	$145,565	$176,053
L I A B I L I T I E S A N D S T O C K H O L D E R S' E Q U I T Y			
CURRENT LIABILITIES			
Accounts payable	$ 5,980	$ 6,943	$ 5,962
Accrued compensation and other expenses	2,254	6,489	2,131
Accrued interest payable	38	401	9,592
Income taxes:			
Current	222	-	-
Deferred	4,387	3,920	4,141
Current maturities of long-term debt and capital lease obligations	13,705	13,201	12,467
Senior subordinated notes (includes $15,525 to affiliates)	-	-	80,000
TOTAL CURRENT LIABILITIES	26,586	30,954	114,293
LONG-TERM DEBT	44,328	44,645	50,561
LONG-TERM CAPITAL LEASE OBLIGATIONS	2,391	2,426	2,576
DEFERRED INCOME TAXES	4,410	4,460	5,038
COMMON STOCK WARRANTS	142	142	-
STOCKHOLDERS' EQUITY			
Common stock--par value $.10 per share, authorized 5,000,000, 5,000,000 and 150,000 shares, respectively, issued and outstanding 2,913,562, 2,873,562 and 2,156, respectively	291	287	1
Additional capital	63,699	62,651	20,704
Predecessor basis adjustment			(5,102)
Retained earnings (deficit):			
Accumulated through May 4, 1991			(12,018)
Accumulated from February 1, 1992, subsequent to a deficit elimination of $10,477 on that date	815	-	-
	64,805	62,938	3,585
	$142,662	$145,565	$176,053

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PEEBLES INC.

CONDENSED STATEMENT OF OPERATIONS

(dollars in thousands, except per share amounts)

	Three-Month Period Ended	
	May 2, 1992 (Unaudited)	May 4, 1991 (Unaudited) (Restated)
NET SALES	$ 29,794	$ 29,393
COSTS AND EXPENSES		
Cost of sales	17,479	17,966
Selling, general and administrative (includes depreciation and amortization of $1,362 and $1,418, respectively)	9,499	8,645
	26,978	26,611
OPERATING INCOME	2,816	2,782
OTHER INCOME	20	12
INTEREST EXPENSE (includes amortization of deferred financing costs of $91 and $239, respectively)	1,329	4,956
INCOME (LOSS) BEFORE INCOME TAXES	1,507	(2,162)
INCOME TAXES (BENEFIT) Federal, state and deferred	692	(636)
NET INCOME (LOSS)	$ 815	$ (1,526)
Earnings (loss) per share: Net Income (loss)	$ .28	$ (707.89)
Average common stock and and warrants outstanding	2,885,857	2,156

See notes to condensed financial statements.

PEEBLES INC.

CONDENSED STATEMENT OF CASH FLOWS

(dollars in thousands)

	Three-Month Period Ended	
	May 2, 1992 (Unaudited)	May 4, 1991 (Unaudited) (Restated)
OPERATING ACTIVITIES		
Net income (loss)	$ 815	$ (1,526)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	674	673
Amortization	779	984
Changes in operating assets and liabilities		
Accounts receivable, net	3,528	3,741
Merchandise inventories	(2,368)	(4,446)
Accounts payable	(963)	(1,118)
Interest payable	(363)	3,055
Other assets and liabilities	(1,463)	(2,793)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	639	(1,430)
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,111)	(475)
Other	169	-
NET CASH USED IN INVESTING ACTIVITIES	(942)	(475)
FINANCING ACTIVITIES		
Proceeds from revolving line of credit and long-term debt	35,640	36,703
Reduction in revolving line of credit and long-term debt	(35,188)	(34,349)
Financing and recapitalization costs	-	(705)
NET CASH PROVIDED BY FINANCING ACTIVITIES	452	1,649
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	149	(256)
Cash and cash equivalents beginning of period	97	362
Cash and cash equivalents end of period	$ 246	$ 106

See notes to condensed financial statements.

PEEBLES INC.

CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(dollars in thousands)

	Common Stock		Additional	Retained Earnings
	Shares	Par Value	Capital	(Deficit)
Balance February 1, 1992	2,873,562	$ 287	$ 62,651	$ -
Common stock issued in connection with the Equity Incentive Plan	40,000	4	872	-
Common stock warrants issued in connection with the Equity Incentive Plan	-	-	176	-
Net Income	-	-	-	815
Balance May 2, 1992	2,913,562	$ 291	$ 63,699	$ 815

See notes to condensed financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS

PEEBLES INC.

(dollars in thousands, except per share amounts)

NOTE A--ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) necessary for a fair presentation have been included. Operating results for the three-month period ended May 2, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ended January 30, 1993, due to the seasonal nature of the business of Peebles Inc. ("Peebles" or the "Company"). For further information refer to the financial statements and footnotes thereto included in the annual report of Peebles for the fiscal year ended February 1, 1992.

On January 31, 1992, Peebles Inc. completed an exchange offer (the "Exchange") pursuant to which Peebles exchanged shares of its common stock, $.10 par value (the "Common Stock"), for all amounts payable, including the accrued interest, pursuant to its 14-3/4% Senior Subordinated Notes Due 1999 (the "Notes"). The Notes were issued by Peebles in July, 1989, to refinance indebtedness incurred in connection with the acquisition of the Company by PBL Acquisition Corp. ("PBL") in January 1989.

The Exchange was part of a recapitalization plan (the "Recapitalization") pursuant to which (i) Peebles Holdings ("Holdings") was merged with and into PBL on December 31, 1991, and PBL was merged with and into the Company on January 23, 1992, with the Company being the surviving corporation (the "Mergers"), and (ii) the Company and its lender, Natwest USA Credit Corp. (the "Bank") entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") on January 31, 1992 which amended certain provisions of the Company's existing credit facility to, among other things, extend its maturity until 1996, reduce the amount of the required principal payments, provide for a limited overadvance facility, revise the covenants to reflect the Recapitalization and increase the level of permissible capital expenditures.

The Mergers: In connection with the Recapitalization, the Boards of Directors of PBL, Holdings and the Company approved the Mergers on November 19, 1991. For each share of PBL common stock, par value $.10 ("PBL Common"), the holder received .0141 shares of Common Stock. For each warrant to purchase one share of PBL Common ("PBL Warrant") held, the holder received .0141 warrants to purchase one share of Common Stock ("Warrant"). A total of 23,573 shares of Common stock and 6,486 Warrants were issued upon completion of the Mergers on January 23, 1992. The sole change in the rights of PBL's shareholders by virtue of the Merger was a change in the jurisdiction of the common stock from Delaware to Virginia.

NOTE A--ORGANIZATION AND BASIS OF PRESENTATION--Continued

The Exchange: Under the provisions of the Exchange, Peebles issued a total of 2,849,989 shares of Common Stock to the holders of the Notes in exchange for all amounts outstanding thereunder. For each $1,000 of principal due under the Notes, the Holder received 35.625 shares of Common Stock. In addition, PaineWebber contributed a portion of the shares it was otherwise entitled to receive to a pool (the "Release Pool"), a pro rata portion of such Release Pool was distributed to each holder of the Notes other than PaineWebber (collectively, the "Non-PaineWebber Noteholders") that tendered a release of claims against PaineWebber, among others, ("Releases") in the Exchange. Therefore, when 100% of the Notes were tendered and accepted in the Exchange and Releases were tendered by 100% of the Non-PaineWebber Noteholders, each $1,000 of principal under the Notes tendered by Non-PaineWebber Noteholders received 38.574 shares of Common Stock, a total of 2,487,041 shares, and each $1,000 of principal under the Notes tendered by PaineWebber received 23.378 of Common Stock, a total of 362,948 shares.

The Credit Agreement: In connection with the Recapitalization, Peebles and the Bank entered into the Credit Agreement to amend and restate the Bank Credit Agreement on January 31, 1992. The Bank Credit Agreement remains in full force and effect except where amended. Under the terms of the Credit Agreement, the maturity was extended to February 1, 1996; the principal payments on the Senior Term Facility ("Term Facility") were reduced to $750 per quarter; and provided for an overadvance facility limited to $5,000 in the fiscal year ended January 31, 1993 and $3,000 in the fiscal year ended January 30, 1994. While the Senior Revolving Facility ("Revolving Facility") has no specific paydown provisions, the overadvance facility must be paid down to zero for a thirty-day period during each fiscal year. The maximum borrowings under the Revolving Facility remains limited to $76 million less outstanding amounts under the Term Facility.

NOTE B--CAPITAL STOCK

The Company has a single class of common stock with a par value of $.10 per share. Each share is entitled to one vote in all matters requiring a vote. On November 19, 1991, the Board of Directors of the Company approved the Amended and Restated Articles of Incorporation (the "Amended Articles"), which authorize the Company to issue up to 5,000,000 shares of Common Stock.

The Amended Articles authorize the Board of Directors of the Company to issue up to 1,000,000 shares of preferred stock, no par value ("Preferred Stock") in one or more series. The designation, preferences, limitations and relative rights of the a series once established is at the discretion of the Board of Directors and governed by the provisions established in the Amended Articles. At May 2, 1992, there were no shares of Preferred Stock issued or outstanding.

NOTE C--COMMON STOCK WARRANTS

As described in Note A, 6,486 Warrants were issued upon completion of the Mergers on January 23, 1992. These warrants are exercisable any time on or after July 15, 1994 (the "Determination Date") for one share of Common Stock at the exercise price of zero dollars ($0.00) per share. All Warrants issued and outstanding existing on July 15, 1999 will be deemed automatically exercised. In the event that certain defined conditions do not occur, the Company is required to repurchase the Warrants at the fair market value of the Common Stock at the Determination Date. Prior to the issuance of common stock, the common stock warrants will be accreted to fair market value and reflected as an adjustment to retained earnings.

NOTE D--EQUITY INCENTIVE PLAN

On April 22, 1992, pursuant to the provisions of the Equity Incentive Plan, the Board of Directors of the Company awarded and allocated 21,000 warrants to purchase one share of Common Stock (the "Management Warrants") to certain key management employees. The exercise price of each Management Warrant is $13.50. These Management Warrants will expire three years from the allocation date, April 22, 1992, and can be exercised at any time subsequent to the allocation provided, however, that they will expire 90 days after the date the holder of a Management Warrant is no longer employed by the Company. The compensation expense associated with the allocation of the Management Warrants was accrued at February 1, 1992. As a result of the allocation, additional capital was increased by $176.

On April 22, 1992, pursuant to the provisions of the Equity Incentive Plan, the Board of Directors of the Company allocated 40,000 shares of Common Stock to certain key management employees. The issuance of these 40,000 shares increased the total shares of Common Stock outstanding to 2,913,562 at May 2, 1992. The compensation expense associated with the allocation of these shares was accrued at February 1, 1992.

NOTE E - INCOME TAXES

Peebles adopted SFAS No. 109, "Accounting for Income Taxes" retroactive to January 28, 1989. The effect of adopting SFAS No. 109 on net income was an increase of $575 ($30.94 per share) for the fiscal year ended February 1, 1992, and a decrease in the net loss of $371 ($172.08 per share) for the three-month period ended May 4, 1991. Certain amounts in these financial statements have been restated as a result of this accounting change.

Differences between the effective rate of income taxes and the statutory rate arise principally from state income taxes and non-deductible amortization relating to certain purchase accounting adjustments.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis provides information with respect to the results of operations for the three-month period ended May 2, 1992 in comparison with the three-month period ended May 4, 1991.

For the three-month period ended May 2, 1992, net sales totaled $29,794,000 compared with $29,393,000 for the three-month period ended May 4, 1991, which is a 1% increase. The opening of three new stores and the closing of three stores during and subsequent to the fiscal quarter ended May 4, 1991, had a net positive effect on sales. This increase was partially offset by continued competition in several of the Company's markets, and the continuing recession particularly in the Washington D.C. metropolitan area. The comparable store sales decrease for the three-month period ended May 2, 1992 was 2%.

Cost of sales for the three-month period ended May 2, 1992 was $17,479,000 or 58.,7% of net sales, compared with $17,966,000 and 61.1% in the comparable prior year's three-month period. The decrease in the cost of sales and the cost of sales percentage is due to lower winter clearance markdowns in February of the current fiscal quarter when compared with the comparable period in the prior year.

Selling, general, and administrative expenses, including depreciation and amortization, for the fiscal quarter ended May 2, 1992 were $9,499,000, or 31.9% of net sales, compared with $8,645,000, or 29.4% of net sales for the fiscal quarter ended May 4, 1991. The expenses increased due to operation of the three new stores which typically have higher expenses in relation to sales than mature stores.

Interest expense for the three-month period ended May 2, 1992 was $1,329,000 compared to $4,956,000 for the three-month period ended May 4, 1991. The interest for the prior year's three-month period included accrued interest on the Notes. The accrued interest and the Notes were part of the Exchange which was completed on January 31, 1992. Additionally, the interest rate on the Senior Indebtedness is lower than the previous year due to the prime rate being lower.

As a result of the changes in operating components discussed above, the net income before taxes was $1,507,000 for the fiscal quarter ended May 2, 1992 compared with a net loss of $2,162,000 for the fiscal quarter ended May 4, 1991.

The income tax expense for the three-month period ended May 2, 1992 was $692,000 compared to an income tax (benefit) of $(636,000) for the three-month period ended May 4, 1991. The effective income tax rate for the current period is 45.9% compared to a income tax rate (benefit) of (29.4%) for the prior year three-month period.

The effective tax rate differs from the statutory rate as of the fiscal quarter ended May 2, 1992 primarily due to state income taxes and non-deductible amortization relating to certain acquisition related assets.

As a result of the changes discusses above, net income for the three-month period ended May 2, 1992, was $815,000 compared to a net loss of $1,526,000 for the three-month period ended May 4, 1991.

Liquidity and Capital Resources

As of the fiscal quarter ended May 2, 1992, the cash flow provided (used) by operating activities increased to $639,000 from $(1,430,000) for the fiscal quarter ended May 4, 1991. The Company believes the cash flow generated from operating activities together with funds available under the Credit Agreement will be sufficient to fund the investing activities and the required payments under the Credit Agreement.

During the Recapitalization, many of the Company's vendors and factors required merchandise payments in advance or other forms of collateral in order to guarantee an adequate flow of merchandise. The Company believes the terms under which merchandise is purchased will return to normal during fiscal 1992. As of the end of the first fiscal quarter, many of the vendors and factors have returned to normal terms or are in the process of doing so. This along with the amendments to the Credit Agreement should provide the Company with additional liquidity.

Anticipated business growth, both in terms of increased sales in existing stores and as a result of new store openings, will also require funding of additional working capital of which the Company must depend on internally generated funds and borrowings under the Credit Agreement as discussed below. The Company opened three new stores subsequent to and during the quarter ended May 4, 1991 and plans to open one, five and six new stores in each of the fiscal years ending 1993, 1994, and 1995. Although the amount of working capital required for such new stores cannot be ascertained at this time, the average of the cost of inventory and level of receivables of Company's three most recently opened stores as of May 2, 1992 at Rio Grande, New Jersey (30,000 square feet), Danville-Piedmont Mall, Virginia (34,170 square feet), and Prince Frederick, Maryland (35,000 square feet), was $721,541 and $286,109, respectively. The Company believes that these figures are representative of the current working capital requirements of new stores of comparable size in similar communities. The prototypical Peebles store is approximately 30,000 to 35,000 square feet. Due to the buildup of inventory for Christmas, Easter, and back-to-school seasons, the Company also has seasonal working capital requirements.

In order to finance its operations and capital needs, including its debt service payments, the Company expects to use funds available to it under the Revolving Facility and internally generated funds. Under the Revolving Facility, the Company may borrow up to the lesser of (i) $76,000,000 less the aggregate amount outstanding under the Term Facility and the aggregate amount of outstanding letter of credit obligations or (ii) a borrowing base which is a percentage of eligible accounts receivable and inventory. As of May 2, 1992, approximately $45,000,000 was available under the Revolving Facility, of which approximately $38,100,000 was drawn as of such date. The Company has seasonal working capital requirements, which it anticipates financing with borrowings under the Revolving Facility. The borrowing base formula for the Revolving Facility is adjusted to accommodate seasonal working capital requirements.

PART II

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

Exhibit 3.1	Amended and Restated Articles of Incorporation of Peebles Inc. *
Exhibit 3.2	Amended and Restated Bylaws of Peebles Inc. *
Exhibit 11.1	Computation of Earnings (Loss) Per Share.

* Incorporated by reference from the Form 10-K of Peebles Inc. for the fiscal year ended February 1, 1992.

b. Reports on Form 8-K

A report was filed on February 3, 1992 reporting Item 5, Other Events.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PEEBLES INC.

Date: June 11, 1992

By ______________________
Michael F. Moorman
President and Chief Executive
Officer (Principal Executive
Officer)

By E Randolph Lail
E. Randolph Lail
Chief Financial Officer, Vice
President-Finance, Treasurer,
and Secretary (Principal
Financial Officer)

EXHIBIT 11.1

Peebles Inc.

COMPUTATION OF EARNINGS (LOSS) PER SHARE
(In thousands of dollars, except per share data)

	Three-Month Period Ended	
	May 2, 1992 (Unaudited)	May 4, 1991 (Unaudited) (Restated)
Net income (loss)	$ 815	$ (1,526)
Average shares outstanding	2,878,397	2,156
Average Warrants outstanding	6,486	
Average Management Warrants outstanding	974	
Average shares and warrants outstanding	2,885,857	2,156
Net income (loss) per share	$ .28	$ (707.89)

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Q92-2261

QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 29, 1992

Commission File Number 0-10886

REXON INCORPORATED
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	95-4317481 (I.R.S. Employer Identification No.)
1334 Parkview Avenue Manhattan Beach, California (Address of principal executive offices)	90266 Zip Code

13-12 C

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MAY 1992 L3Q

(213) 545-4441
Registrant's telephone number including area code

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Not Applicable
Former name, former address, and former fiscal year, if changed since last report.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

At May 1, 1992, Registrant had 8,939,042 shares of Common Stock outstanding.

(This document contains a total of 13 pages.)

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REXON INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 29, 1992 (Unaudited)	September 29, 1991
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 11,136	$ 11,824
Trade accounts receivable, less allowance of $876 (1992) and $715 (1991)	34,214	27,830
Inventories	27,553	24,304
Prepaid expenses and other current assets	1,541	1,488
TOTAL CURRENT ASSETS	74,444	65,446
GOODWILL, LESS ACCUMULATED AMORTIZATION	39,388	29,597
PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS	29,556	26,181
Less: Accumulated depreciation and amortization	(16,562)	(14,476)
	12,994	11,705
CAPITALIZED SOFTWARE, NET OF ACCUMULATED AMORTIZATION	4,306	3,681
OTHER ASSETS	2,182	2,612
	$133,314	$113,041

See notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

REXON INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 29, 1992 (Unaudited)	September 29, 1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	$ 16,928	$ 16,154
Accrued other expenses	9,180	7,666
Accrued income taxes	2,770	2,296
Current portion of long-term obligations	8,525	6,770
TOTAL CURRENT LIABILITIES	37,403	32,886
LONG-TERM OBLIGATIONS	9,954	8,388
OTHER	133	136
SHAREHOLDERS' EQUITY		
Preferred stock, $.01 par value; authorized 1,000,000 shares; none issued and outstanding		
Common stock, $.01 par value; authorized 15,000,000 shares; issued and outstanding 8,928,000 at March 29, 1992 and 7,772,000 at September 29, 1991	89	78
Additional paid-in capital	43,585	35,396
Retained earnings	42,150	36,157
	85,824	71,631
	$133,314	$113,041

See notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

REXON INCORPORATED AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE FISCAL PERIODS ENDED MARCH 29, 1992
AND MARCH 31, 1991

(in thousands, except per share amounts)

	Quarter Ended		Six Months Ended	
	March 29, 1992	March 31, 1991	March 29, 1992	March 31, 1991
	(Unaudited)			
Net Sales	$55,249	$48,124	$100,785	$95,166
Cost of Goods Sold	35,218	32,123	64,207	64,203
	20,031	16,001	36,578	30,963
Selling, general and administrative	11,595	8,903	21,125	17,704
Research and development	3,727	3,524	7,282	6,519
Other, net	229	32	353	43
	15,551	12,459	28,760	24,266
Net income before income taxes	4,480	3,542	7,818	6,697
Income taxes	1,035	815	1,825	1,565
Net income	$ 3,445	$ 2,727	$ 5,993	$ 5,132
Net income per share	$.36	$.28	$.67	$.52
Weighted average shares outstanding	9,569	9,573	8,886	9,737

See notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

REXON INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 29, 1992
AND MARCH 31, 1991

(in thousands)

	Six Months Ended	
	March 29, 1992	March 31, 1991
	(unaudited)	
OPERATING ACTIVITIES:		
Net income:	$ 5,993	$ 5,132
Depreciation and amortization	2,974	3,023
Provision for doubtful accounts	435	415
Net tax provision on income	474	1,285
Changes in operating assets and liabilities,		
Increase in accounts receivable, net	(4,091)	(2,823)
(Increase) decrease in inventories and prepaid expenses, net	(1,406)	5,325
Decrease in accounts payable and accrued expenses	(2,786)	(5,471)
Net cash provided by operating activities	1,593	6,886
INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,821)	(2,772)
Increase in capitalized software and other assets	(222)	(519)
Acquisition of WangDAT	(71)	--
Net cash used in investing activities	(2,114)	(3,291)
FINANCING ACTIVITIES:		
Proceeds from line of credit and long term obligations	1,510	--
Principal payments on line of credit and long term obligations	(2,765)	(1,217)
Proceeds from issuance of common stock	1,589	369
Cost of repurchase of common stock	(501)	(5,112)
Net cash (used in) provided by financing activities	(167)	(5,960)
Decrease in cash and cash equivalents	(688)	(2,365)
Cash and cash equivalents at beginning of period	11,824	7,902
Cash and cash equivalents at end of period	$11,136	$ 5,537

See notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

SUPPLEMENTAL SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES

During the first quarter of fiscal 1992, the Company acquired WangDAT, Inc., through a merger between WangDAT and a wholly-owned subsidiary of the Company, for a total purchase price of $12 million, consisting primarily of 995,525 shares of the Company's Common Stock and prime rate convertible subordinated promissory notes in the principal amount of $4.8 million.

PART I. FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

REXON INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the periods ended March 29, 1992, are not necessarily indicative of the results that may be expected for the year. For further information, refer to the consolidated financial statements and notes thereto for the year ended September 29, 1991, included in the 1991 Annual Report to Stockholders.

NOTE B -- INVENTORIES

Inventories consist of the following:

	March 29, 1992	September 29, 1991
	(in thousands) (unaudited)	
Raw materials	$13,451	$13,917
Work-in-process	9,400	6,756
Finished products	4,702	3,631
	$27,553	$24,304

NOTE C -- INCOME PER SHARE

Per share data is based on the weighted average number of shares outstanding and common stock equivalents, excluding those common stock equivalents that would have the effect of being anti-dilutive.

Income per share computations limit the assumption of the repurchase of treasury shares to a maximum of twenty percent of the outstanding shares of the Company, with the remaining pro forma proceeds, where applicable, being applied to reduce interest-bearing liabilities. Accordingly, interest expense based on the Company's average cost of funds is reduced, and net income is increased.

PART I. FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

NOTE D -- ACQUISITION OF WANGDAT, INC.

On December 9, 1991, the Company acquired WangDAT Inc. (WangDAT), a manufacturer of digital audio tape products, for a total purchase price of $12 million consisting of 995,525 shares of the Company's common stock, $71 thousand in cash, and prime rate convertible subordinated promissory notes in the principal amount of $4.8 million. The acquisition is being accounted for as a purchase and the operations of WangDAT are included in the consolidated financial statements of the Company from December 9, 1991 forward. The preliminary estimate of excess of cost over the net liabilities acquired, approximately $10.8 million, is being amortized on a straight-line basis over ten years. The preliminary allocation of the purchase price is subject to further adjustment based upon a financial determination of the fair value of the net assets and liabilities acquired.

The following table sets forth the pro forma unaudited condensed consolidated results of operations for the Company assuming that WangDAT was acquired October 1, 1990.

	Quarter Ended		Six Months Ended	
	March 29, 1992	March 31, 1991	March 29, 1992	March 31, 1991
	(in thousands, except per-share amounts)			
Net Sales	$55,249	$51,968	$104,177	$102,854
Net Income	$ 3,445	$ 2,079	$ 3,972	$ 3,836
Income Per Share	$ .35	$ .20	$ .41	$ .36

PART I. FINANCIAL INFORMATION

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the percentages which certain items of expense or income bear to the Company's net sales.

	Percentage of Net Sales			
	Quarter Ended		Six Months Ended	
	3/29/92	3/31/91	3/29/92	3/31/91
Net Sales	100%	100%	100%	100%
Cost of Goods Sold	64%	67%	64%	67%
Selling, general and administrative	21%	19%	21%	19%
Research & development	7%	7%	7%	7%
Net income before income taxes	8%	7%	8%	7%
Net income	6%	6%	6%	5%

Net sales increased by approximately $7.1 million or 15% in the second fiscal quarter of fiscal 1992 compared with the same quarter in fiscal 1991 and by approximately $5.6 million or 6% for the first six months of fiscal 1992 over the same period of fiscal 1991. This quarter's increase was comprised of an increase of $13.6 million for the Company's tape back-up products, digital audio tape (DAT) drives, and Sytos tape operating systems, partially offset by a decrease of $6.5 million in sales of multi-media products.

Cost of goods sold as a percentage of net sales decreased significantly, from 67% to 64% for both the second fiscal quarter and the first six months of fiscal 1992 as compared to the same periods of fiscal 1991. This decrease is the result of the Company's continual emphasis on developing new methods to reduce the manufacturing costs of the Company's products. Gross margins increased in substantially all of the Company's product lines.

Selling, general and administrative expenses increased as a percentage of net sales in the second quarter of fiscal 1992 to 21% from 19% in the second quarter of fiscal 1991. The same percentage increase occurred in the first six months of fiscal 1992 as compared to the first six months of fiscal 1991. The rate of increase in sales and marketing expenditures exceeded the rate of increase in sales, due to the WangDAT acquisition and greater emphasis on advertising through distribution channels; in addition, continuing efforts were made to expand the Company's sales both domestically and internationally.

PART I. FINANCIAL INFORMATION

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Research and development expenditures remained constant at 7% of sales for both the second quarter and first six months of fiscal 1992, compared with the same fiscal periods in fiscal 1991, reflecting the Company's continual emphasis on developing new products and new methods to reduce manufacturing costs of the Company's existing products.

Income from continuing operations before income taxes as a percent of net sales rose to 8%, compared to 7% for the second fiscal quarter of 1991, while also increasing to 8% for the first six months of fiscal 1992, as compared to 7% for the first six months of fiscal 1991. The significant decrease in cost of goods sold was partially offset by the increases in selling, general and administrative expenses.

All areas of income and expense were increased in the second quarter and first six months of fiscal 1992 over the similar periods of fiscal 1991 due to the acquisition of WangDAT, which was completed on December 9, 1991. However, none of such amounts were material to the Company's operations as a whole.

As of March 29, 1992, the Company's balance of cash and cash equivalents was $11.1 million compared to $11.8 million at September 29, 1991, a decrease of $.7 million. Net cash provided by operating activities amounted to $1.6 million after taking into account increases of $4.1 million in accounts receivable and $1.4 million in inventories and prepaid expenses, partially offset by a decrease of $2.7 million in accounts payable and other accrued expenses. Major cash expenditures during the period included the purchase of $1.8 million of capital equipment, $2.8 million principal payments on the Company's line of credit and long term obligations which increased substantially, primarily as a result of the WangDAT acquisition, and an aggregate of approximately $500 thousand for the repurchase of 68,000 shares of the Company's Common Stock pursuant to a previously announced stock repurchase program. For restrictions upon the Company's ability to effect additional repurchases in fiscal 1992, see the Management's Discussion and Analysis section of the Company's Report on Form 10K for fiscal year 1991.

The Company believes its current level of cash, together with income from operations and its $20 million line of credit (of which $7.2 million was available at the end of the second fiscal quarter), is adequate to meet its current operating and capital equipment requirements.

PART II OTHER INFORMATION

ITEMS 1 THROUGH 3 - Not Applicable

ITEM 4 - Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Stockholders was held on February 27, 1992

At such meeting, the following persons were duly elected as the Class I directors of the Company: Ralph L. Block and Ben C. Wang. Such persons, together with Steven A. Birnbaum, Edmund H. Shea, Jr., Robert L. Miller and Michael O. Preletz, comprised the members of the Board of Directors following such meeting.

The following additional matter was voted upon at the Annual Meeting of Stockholders

> A proposal to approve a stock option plan for the Company's non-employee directors was approved, with 6,686,176 votes in favor of the proposal, 618,696 votes against the proposal and 23,878 votes abstaining.

ITEM 5 - Not Applicable

ITEM 6 - Exhibits and Reports on Form 8-K

(a) The following exhibits are included herein:

11.1 Statement of Computation of Per Share Earnings

(b) The following reports on Form 8-K were filed during the fiscal quarter covered by this Report on Form 10-Q

1) Report on Form 8 Amendment No. 1 to Form 8-K, dated February 7, 1992, concerning the acquisition of WangDAT through a merger between WangDAT and a new wholly-owned subsidiary of the Company.

2) Report on Form 8 Amendment No. 2 to Form 8-K, dated February 11, 1992, concerning the acquisition of WangDAT through a merger between WangDAT and a new wholly-owned subsidiary of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REXON INCORPORATED
(Registrant)

Dated: May 11, 1992

Irvin R. Reuling
Chief Financial Officer & Secretary
(Principal Financial and
Accounting Officer)

EXHIBIT 11.1

REXON INCORPORATED AND SUBSIDIARIES
COMPUTATION OF PER SHARE EARNINGS

Periods Ended March 29, 1992 and March 31, 1991
(in thousands, except per share amounts)

	Quarter Ended		Six Months Ended	
	March 29, 1992	March 31, 1991	March 29, 1992	March 31, 1991
	(Unaudited)			
Net income applicable to common stock	$3,445	$2,727	$5,993	$5,132
Average number of shares of common stock and common stock equivalents outstanding:				
Weighted average number of common shares outstanding	9,569	9,573	8,886	9,737
Dilutive effect of stock options and warrants after application of modified treasury stock method	--	--	--	--
Total number of shares used in computation	9,569	9,573	8,886	9,737
Net income per share	$.36	$.28	$.67	$.52

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

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WASHINGTON, D.C. 20549

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

Commission file number 0-8133

UNION PLAZA HOTEL AND CASINO INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

88-0110085
(I.R.S. Employer
Identification No.)

No. 1 Main Street
Las Vegas, Nevada
(Address of principal executive offices)

89125
(Zip Code)

(702) 386-2110
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES __X__ NO ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report:

Class of Common Stock	Outstanding at March 31, 1992
$.50 par value	812,618 shares

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Q-Data Corp. - St. Petersburg, FL

The Securities and Exchange Commission
Washington D.C.

The financial information included herein is unaudited. In addition, the financial information does not include all disclosures required under generally accepted accounting principles because certain note information included in the Company's annual report has been omitted; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of Management, necessary to a fair statement of the results for the interim period.

Las Vegas, Nevada
March 13, 1992

PART 1. - Financial Information

Item 1. Financial Statements

UNION PLAZA HOTEL AND CASINO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)
MARCH 31, 1992 and DECEMBER 31, 1991

UNION PLAZA HOTEL AND CASINO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

MARCH 31, 1992 AND DECEMBER 31, 1991

ASSETS

	MARCH 31, 1992	DECEMBER 31, 1991
Current Assets:		
Cash	$ 3,644,000	$ 4,059,000
Accounts receivable	1,240,000	1,517,000
Inventories of food, beverage and supplies	595,000	686,000
Prepaid expense	1,573,000	1,249,000
Total current assets	7,052,000	7,511,000
Property and equipment:		
Land	6,837,000	6,837,000
Buildings	54,419,000	54,405,000
Leasehold improvements	3,474,000	3,474,000
Furniture and equipment	38,411,000	38,476,000
	103,141,000	103,192,000
Less accumulated depreciation and amortization	54,208,000	53,374,000
Net property and equipment	48,933,000	49,818,000
Other assets	1,786,000	2,150,000
	57,771,000	59,479,000

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 31, 1992	DECEMBER 31, 1991
Current liabilines:		
Accounts payable	$ 2,067,000	$ 2,737,000
Accrued liabilities	2,979,000	4,690,000
Current portion of long-term debt	1,693,000	1,721,000
Current portion of obligations under capital leases	361,000	377,000
Total current liabliities	7,100,000	9,525,000
Long-term debt, less current portion	25,267,000	24,570,000
Obligations under capital leases, less current portion	6,208,000	6,294,000
Deferred income taxes	2,795,000	2,795,000
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.50 par value; authorized 20,000,000 shares; issued 1,500,000 shares; Outstanding 812,618 shares at March 31, 1992 and 815,518 shares at December 31, 1991	750,000	750,000
Additional paid-in capital	5,462,000	5,462,000
Retained earnings	23,019,000	22,855,000
	29,231,000	29,067,000
Less treasury stock, at cost, 687,382 shares at March 31, 1992 and 684,482 shares at December 31, 1991	12,830,000	12,772,000
Total stockholders' equity	16,401,000	16,295,000
	57,771,000	59,479,000

UNION PLAZA HOTEL AND CASINO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

THREE MONTHS ENDED MARCH 31, 1992 AND 1991

	1992	1991
Revenues:		
Casino	$ 11,940,000	$ 11,241,000
Food and Beverage	3,582,000	3,349,000
Rooms	2,966,000	3,017,000
Other	642,000	637,000
Gross revenues	19,130,000	18,244,000
Less promotional complimentaries	2,979,000	2,557,000
Net revenues	16,151,000	15,687,000
Operating expenses:		
Casino	4,031,000	3,682,000
Food and Beverage	5,307,000	4,147,000
Rooms	1,314,000	1,255,000
General and administrative	1,305,000	1,356,000
Entertainment	123,000	311,000
Advertising and promotion	215,000	149,000
Utilities and maintenance	1,368,000	1,348,000
Depreciation and amortization	1,048,000	1,122,000
Provisions for doubtful account	28,000	19,000
Other costs and expenses	454,000	430,000
Total operating expenses	15,193,000	13,819,000
Operating income	958,000	1,868,000
Other income (expense):		
Interest income	7,000	58,000
Interest expense	(718,000)	(973,000)
Total other income (expense)	(711,000)	(915,000)
Income before income taxes	247,000	953,000
Income taxes	84,000	325,000
Net income	163,000	628,000
Earnings per common share	$0.20	$0.55

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
FOR THREE MONTHS ENDED MARCH 31, 1992 AND 1991

INCREASE IN CASH AND CASH EQUIVALENTS

	1992	1991
Cash flows from operating activities:		
Cash received from customers	$ 16,242,000	$ 15,939,000
Cash paid to suppliers and employees	(16,206,000)	(13,148,000)
Interest received	8,000	57,000
Interest paid	(897,000)	(974,000)
Income taxes paid	0	(14,000)
Net cash provided by operating activities	(853,000)	1,860,000
Cash flows from investing activities:		
Proceeds from sale of property and equipment	0	10,000
Proceeds from sale of bonds	92,000	0
Purchase of property and equipment	(163,000)	(252,000)
Net cash used in investing activities	(71,000)	(242,000)
Cash flows from financing activities:		
Proceeds from note payable to Stockholder	1,200,000	-
Principal payments on capital lease	(102,000)	(101,000)
Principal payments on long-term debt	(531,000)	(439,000)
Purchase of Treasury Stock	(58,000)	0
Net cash used in financing activities	509,000	(540,000)
Net increase (decrease) in cash and cash equivalents	(415,000)	1,078,000
Cash and cash equivalents, at 12/31/91 & 12/31/90	4,059,000	6,945,000
Cash and cash equivalents, at 3/31/92 & 3/31/91	3,644,000	8,023,000

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	1992	1991
Net income for period ended 3/31/92 and 3/31/91	$ 163,000	628,000
Adjustments to reconcile net income to		
Net cash provided by operating activities:		
Depreciation and amortization	1,072,000	1,122,000
Gain on sale of assets	0	(10,000)
Bad debt expense	28,000	19,000
(Increase) decrease in assets:		
Accounts receivable	249,000	234,000
Interest receivable	1,000	(1,000)
Inventories	91,000	111,000
Prepaid expenses	(324,000)	51,000
Other assets	248,000	130,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(2,202,000)	(732,000)
Income tax payable	0	(14,000)
Interest payable	(179,000)	(1,000)
Deferred income tax	0	323,000
Total adjustments	(1,016,000)	1,232,000
Net cash provided by operating activites	(853,000)	1,860,000

UNION PLAZA HOTEL AND CASINO, INC. AND SUBSIDIARIES
UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Union Plaza Hotel and Casino, Inc. (the Company) and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Nature of the Operations and Basis of Accounting

The Company's wholly-owned subsidiary, Union Plaza Operating Company, operates hotel and gaming operations in downtown Las Vegas, Nevada. A substantial portion of the operating revenues of the Company's subsidiary is derived from gaming operations which are subject to extensive regulations in the State of Nevada by the Gaming Commission, the Gaming Control Board and local regulatory agencies.

Management believes that the Company's procedures for supervising casino operations, recording casino and other revenues and for granting credit comply in all material respects with applicable regualtions.

The Company has no other materially important subsidiaries or operations.

Casino Receivables and Revenue

Credit is extended to certain casino customers and the Company records all unpaid advances as casino receivables on the date credit was granted. Allowances for estimated uncollectable casino receivables are provided to reduce these receivables to amounts anticipated to be collected. The Company recognizes as casino revenue the net win (which is the difference between amounts wagered and amounts paid to winning patrons) from gaming activities.

Promotional Allowances

Gross revenues include the retail value of complimentary food and beverage and hotel services furnished to customers. The retail value of these promotional allowances is deducted to arrive at net revenues.

The cost of promotional allowances is charged to hotel, bar and restaurant operating expenses.

Note 1 Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expenses as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in income. Depreciation, including amortization of a capitalized lease, is computed using the straight-line method. Leasehold improvements (distinguished from unamortized leasehold costs) are amortized over the lives of the leases.

Property and equipment, including capitalized leases, are depreciated over their estimated useful lives of 3 to 20 years for land improvements, 20 to 40 years for buildings, 5 to 30 years for leasehold improvements and 3 to 10 years for furniture and equipment.

Other Assets

Leasehold costs are being amortized on a straight-line basis over the initial 30-year term of the lease. Expansion of gaming rights is being amortized on a straight-line basis over 20 years. Subordination of security interest in lease is being amortized on a straight-line basis over 15 years.

Progressive Slot Liability

The Company has installed a number of progressive slot machines. As coins are played the amount available to win increases and will be paid out when the appropriate jackpot is hit. In accordance with common industry practice, the Company has recorded the liability and has charged this amount against casino revenue.

Earnings Per Common Share

Earnings per common share was computed by dividing net income by the weighted average number of shares of comon stock outstanding during each period.

Inventories

Inventories are valued at the lower of cost, (first-in, first-out) or market. Maintenance and other operating supplies are stated at estimated amounts considered by management to be necessary to conduct full operations. Subsequent replacements are charded to expense.

Note 1 Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company and its subsidiaries file a consolidated Federal Income Tax return. Deferred income taxes are provided to reflect the tax effect of timing differences between financial and tax reporting, principally related to depreciation, slot machine revenue, interest costs, accrued expenses, capitalization of leases, capitalization of property costs and write-down of facilities and other investments to estimated recoverable value. The Company accounts for the investment tax credit as a reduction of income tax expense in the year in which such credits are utilized. Carryforwards of this credit, as well as the tax effect of net operating loss carryforwards, are shown as a reduction to deferred income taxes.

Statement of Cash Flows

The Statement of Cash Flows classifies changes in cash and cash equivalents according to operating, investing and financing activities. For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note 2 Accounts Receivable

Accounts receivable consist of the following:

	March 31, 1992	December 31, 1991
Casino	$ 525,000	$ 898,000
Income Tax Refund	441,000	441,000
Hotel	268,000	172,000
Other	74,000	100,000
	1,308,000	1,611,000
Less allowance for doubtful accounts	68,000	94,000
	$1,240,000	$ 1,517,000

UNION PLAZA HOTEL AND CASINO, INC. AND SUBSIDIARIES

UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Note 3 Other Assets

Other assets consist of the following:

	March 31, 1992	December 31, 1991
Expansion of gaming rights, less accumulated amortization of $435,000 and $425,000	$375,000	$ 385,000
Subordination of security interest in lease, less accumulated amortization of $584,000 and $567,000	229,000	243,000
Net investment in direct financing lease (Note 7)	328,000	332,000
Leasehold costs, less accumulated amortization of $303,000 and $299,000	136,000	140,000
Deposits and other	718,000	1,050,000
	$1,786,000	$ 2,150,000

Note 4 Accrued Liabilities

Accrued liabilities consist of the following:

	March 31, 1992	December 31, 1991
Salaries and wages	$1,062,000	$ 1,083,000
Union back wages	772,000	1,330,000
Income Taxes	--	--
Other Taxes	518,000	521,000
Interest	--	179,000
Other	627,000	1,577,000
	$2,979,000	$ 4,690,000

Note 5 Income Taxes

The Internal Revenue Service has examined the Company's Federal income tax returns through 1983. Management is of the opinion that all taxes have been paid or provided for through March 31, 1992.

Note 6 Long-Term Debt

Long-term debt consists of the following:

	March 31, 1992	December 31, 1991
Note payable to Valley Bank, secured by a first deed of trust on land and building, first security agreement on all personal property and assignment of Exber's interest in lease (Note 7). In October of 1986, $31,500,000 of the note was refinanced. Interest is Valley Bank's base + 1% prime adjustment ("Contract Rate") with a maximum interest rate of 5% over the contract rate for a period of 3 years, with subsequent adjustments of the maximum rate every 3 years. The effective rate at March 31, 1992 was 7.5%. The term of the refinancing is 10 years. Monthly payments of principal and interest at March 31, 1992 of $295,000 are based on a 15 year amortization schedule with the balance due in October of 1996.	$23,950,000	$24,491,000
10% note payable interest only monthly until December 18, 1996 at which time the balance is due and payable (note 9)	3,000,000	1,800,000
	26,950,000	26,291,000
Less current portion	1,683,000	1,721,000
	25,267,000	$24,570,000

ote 6 Long-Term Debt (Continued)

Principal payments on long-term debt during the succeeding five years are as follows:

1992 (Remaining nine months)	$ 1,130,000
1993	1,819,000
1994	1,980,000
1995	2,155,000
1996	2,345,000
Thereafter	14,521,000
	$23,950,000

On June 19, 1991, the Company purchased 304,841 shares of common stock held by UPLRC for $6,097,000. The Company utilized $4.597,000 of internally generated cash flow and borrowed $1,500,000 from Exber, Inc. to complete this acquisition. The Company issued a demand note for $1,500,000 interest only monthly at 10% per annum to secure the loan from Exber, Inc.

Note 7 Leases

The Company leases equipment and hotel and bus depot prop-erty under long-term lease agreements which are classified as capital leases. The lease with Exber, Inc. (See Note 9) covering the hotel and bus depot property expires in 2001 with renewals. The hotel and bus depot property lease contains one renewal option of twenty-five years and four renewal options of ten years. The bus depot property is sublet to Greyhound Lines, Inc. under a lease expiring in 2001, with two ten-year renewal options available.

Certain computer equipment is also leased under noncancellable operating leases expiring in 1993.

Property and equipment include the following leased property under capital leases by major classes:

	March 31, 1992	December 31, 1991
Land and buildings	$ 9,631,000	$ 9,242,000
Computer equipment	78,000	78,000
	9,709,000	9,320,000
Less accumulated amortization	7,653,000	7,606,000
	$ 2,056,000	$ 1,714,000

Note 7 Leases (Continued)

The following is a schedule of future minimum lease payments as of March 31, 1992:

	Buildings	Equipment	Total
1992 (Remaining nine months)	$ 937,000	$10,000	$ 947,000
1993	1,250,000	--	1,250,000
1994	1,250,000	--	1,250,000
1995	1,250,000	--	1,250,000
1996	1,250,000	--	1,250,000
Thereafter	5,731,000	--	5,731,000
Total minimum lease payments	11,668,000	10,000	11,678,000
Less amount representing interest	5,099,000	---	5,099,000
Present value of net minimum lease pmts under capital leases	6,569,000	10,000	6,759,000
Less current portion	361,000	10,000	371,000
Long-term obligations under capital leases	6,208,000	-0-	6,208,000

The net investment in the Greyhound sub-lease at March 31, 1992 and December 31, 1991 was $328,000 and $332,000 respec-tively. This represents the minimum future rentals receivable of $615,000 and $632,000 less the amount representing interest at 13.68 percent of $287,000 and $300,000 at March 31, 1992 and December 31, 1991 respectively. The current portion of the net investment in this financing lease of $19,000 is included in accounts receivable at March 31, 1992 and December 31, 1991, respectively.

Note 8 Employee Benefit Plans

The Company contributes to a discretionary executive bonus plan. Contributions for the first three months of 1992 and 1991 were $44,000 and $82,000 respectively.

The Company also has a qualified profit sharing plan for eligible employees. Contributions to this plan are made at the discretion of the Board of Directors and benefits are limited to the allocated interests in fund assets. Contributions for the first three months of 1992 and 1991 were $75,000 for each period.

Note 9 Related Parties

Exber, Inc. and the Company's Chairman of the Board, John D. Gaughan, together a 52% Stockholder, lease to the Company land and buildings in Las Vegas, Nevada. Annual payments by the Company and its subsidiaries are $1,250,000. The lease extends through 2001 with renewals. The Company is also obligated to Exber, Inc. by the terms of a demand note in the amount of $3,000,000 (See Notes 6 and 7).

Note 10 Contingencies

The Internal Revenue Service is currently conducting examinations of various gaming establishments and is seeking to assess F.I.C.A. taxes against the companies for tips and/or other gratuities allegedly earned by employees. Based upon current negotiations between the gaming industry and the Internal Revenue Service, it is management's opinion that no material liability exists with respect to this contingency.

The Company has contingent liabilities with respect to lawsuits and other matters arising in the ordinary course of business. In the opinion of management, no material liability exists with respect to these contingencies.

Note 11 Settlement of Prior Years Contingency

The Company's major subsidiary, the Union Plaza Operating Company, has been in litigation with the National Labor Relations Board (NLRB) and with the HEREIU Welfare Fund over a number of years.

In April, 1991, the Company reached settlements with the Local Joint Executive Board of Las Vegas, Culinary Workers Union, Local No. 226 and Bartenders Union, Local No. 165. Pursuant to those agreements, the lawsuit by the HEREIU Welfare Fund Trustees was dismissed with prejudice. The NLRB accepted the Company's settlement agreement with the Unions as full compliance with their order.

The settlement agreements, finalized in January 1992, required the company to provide payments aggregating approximately $1,135,000 to eligible employees based upon hours worked between May 2, 1986 and June 1, 1989. The agreement also sets forth new contributory rates for health and welfare benefits effective June 1, 1991, amounting to approximately $750,000 as of December 31, 1991. Provisions for these amounts were included as operating expenses for the year ended December 31, 1991.

Part 1. - Financial Information

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL RESOURCES

The Company had total cash assets amounting to $4,059,000 (6.8% of total assets) at December 31, 1991 and $3,644,000 (6.3% of total assets) at March 31, 1992. The ratio of currrent assets to current liabilities was 0.8 to 1 at December 31, 1991 and 1.3 to 1 at March 31, 1992.

Beginning in April 1985, the Company started paying monthly principal payments on a $36,000,000 first mortgage issued in connection with the expansion program completed in 1983. Principal payments amounted to $1,546,000 in 1991 and $408,000 during the first three months of 1992. This loan was renegotiated in October 1986 and the unpaid principal balance of $23,950,000 is being liquidated under significantly more favorable terms.

The Company disbursed $6,409,000 to acquire 320,450 treasury shares during 1991 and $58,000 to purchase 2,900 treasury shares during the first three months of 1992. The acquisitions were funded from internally generated cash flow of $4,967,000 and by proceeds from a note payable to stockholder of $1,500,000 (See Note 6).

The Company's long-term debt and obligations under capital leases, including current maturities, was $32,962,000 and $33,529,000 at December 31, 1991 and March 31, 1992, respectively. The ratio of debt to equity was 2.0 to 1 at December 31, 1991 and 2.0 to 1 at March 31, 1992.

Part 1. - Financial Information, Continued

RESULTS OF OPERATIONS

The Company's gross revenues for the first three months of 1992 of $19,130,000 were up $886,000 (5%) from the $18,244,000 reported for this period last year. Total Casino win was up $669,000 (6%) over 1991. The Slot Department continued to show improvement with an increase in win of $792,000 (12%) over the first three months of 1991. Race and Sports Book win was up $197,000 (38%). Pit win continued to show weakness and decreased by $323,000 (10%). Food sales increased by $258,000. All other revenue centers were at approximately the same levels reported for the first three months of 1991. Promotional complimentaries furnished gratuitously to gaming patrons were up $422,000 (17%). Other costs and expenses were up $929,000 from 1991 levels. Overall, the Company showed a decrease of $465,000 in net income for the first three months of 1991.

SIGNATURES

Pursuant to the requirements of the Securities Excnange Act of 1934 the registrant had duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNION PLAZA HOTEL AND CASINO, INC.
(Registrant)

Date: May 5, 1992

JOHN F. GAUGHAN, President & Chief Operating Officer

Date: May 5, 1992

JOHN P. JONES, Vice President & Treasurer

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

S92-2261

For the Quarterly Period Ended March 31, 1992

Commission file number 1-4976

UNITED STATES LEASING INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

94-1360891
(I.R.S. Employer Identification No.)

733 Front Street, San Francisco, California
(Address of principal executive offices)

94111
(Zip Code)

(415) 627-9000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

As of May 7, 1992, the Registrant had outstanding 10 shares of Common Stock, all of which were owned by Ford Holdings, Inc.

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(I)(a) AND (b), AND IS THEREFORE FILING THIS FORM 10-Q WITH REDUCED DISCLOSURE FORMAT.

BEST COPY AVAILABLE

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UNITED STATES LEASING INTERNATIONAL, INC.
AND SUBSIDIARY COMPANIES

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UNITED STATES LEASING INTERNATIONAL, INC.
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In thousands)	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
Cash and equivalents	$ 4,559	$ 19,253
Investment in finance leases - net	1,535,308	1,462,466
Notes receivable	448,843	415,986
Investment in operating leases - net	459,098	492,114
Investment in securities	228,093	236,101
Inventory held for sale or lease	84,817	100,341
Other receivables	17,908	18,469
Investment in associated companies	20,017	20,220
Office facilities at cost less accumulated depreciation	9,476	9,911
Goodwill	199,465	200,926
Other assets	19,634	16,917
Total assets	$3,027,218	$2,992,704
LIABILITIES		
Short-term notes payable	$ 887,722	$ 790,137
Accounts payable	34,103	88,924
Accrued liabilities and lease deposits	95,555	82,150
Payable to parent and affiliates	46,257	16,993
Deferred taxes on income	155,693	150,646
Long-term debt	1,239,122	1,305,004
Total liabilities	2,458,452	2,433,854
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDER'S EQUITY		
Common stock	*	*
Additional capital	476,425	476,425
Retained earnings	92,341	82,425
Total shareholder's equity	568,766	558,850
Total liabilities and shareholder's equity	$3,027,218	$2,992,704

*Less than one thousand dollars

See NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNITED STATES LEASING INTERNATIONAL, INC.
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited; in thousands)	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
REVENUES	$125,213	$115,927
EXPENSES		
Sales, Administrative and general	17,970	16,759
Interest	40,061	32,556
Depreciation -- operating leases	44,299	43,299
Other	7,950	4,878
Total expenses	110,280	97,492
Income before taxes on income	14,933	18,435
Taxes on income	5,017	7,169
NET INCOME	$ 9,916	$ 11,266

See NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

UNITED STATES LEASING INTERNATIONAL, INC.
AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in thousands)	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Net cash flow from operating activities	$ 58,142	$ 45,303
CASH FLOWS FROM INVESTING ACTIVITIES		
Recovery of equipment costs and residual interests	111,513	121,128
Proceeds from sale of finance receivables	19,463	-
Cost of equipment acquired for lease	(201,793)	(241,341)
Notes receivable investments	(50,998)	(27,079)
Payments on notes receivable investments	17,458	7,742
Purchase of investment securities	(26,029)	(4,105)
Sale of investment securities	33,457	-
Increase in deferred initial direct costs	(3,263)	(3,026)
Other	(4,347)	(2,035)
Net cash used by investing activities	(104,539)	(148,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	1,794	273,752
Long-term debt repaid	(67,638)	(97,248)
Net increase/(decrease) in short-term borrowings	97,547	(94,938)
Net cash provided by financing activities	31,703	81,566
(Decrease) in cash and equivalents	(14,694)	(21,847)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	19,253	25,744
CASH AND EQUIVALENTS AT END OF PERIOD	$ 4,559	$ 3,897
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Interest paid	$ 19,483	$ 24,843
Income taxes paid	30	155
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
None		

See NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

UNITED STATES LEASING INTERNATIONAL, INC.
AND SUBSIDIARY COMPANIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. The December 31, 1991 consolidated balance sheet included herein is derived from the audited financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 1991, but does not include all disclosures required by generally accepted accounting principles. The statements should be read in conjunction with the significant accounting policies and notes to consolidated financial statements also included in the Form 10-K for the year ended December 31, 1991.

The Company is a wholly-owned subsidiary of Ford Holdings, Inc., the common stock of which is owned by Ford Motor Company ("Ford") and Ford Motor Credit Company, a wholly-owned subsidiary of Ford.

2. ACCOUNTING FOR INCOME TAXES

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting For Income Taxes" in February 1992, requiring adoption by 1993. SFAS No. 109 supersedes and reduces the complexity of SFAS No. 96, which was adopted by the Company in 1987. The Company adopted the new standard, which had no effect on net income or deferred taxes, in the first quarter of 1992.

UNITED STATES LEASING INTERNATIONAL, INC.
AND SUBSIDIARY COMPANIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Pursuant to General Instructions H(2)(a), the following narrative analysis is presented in lieu of Management's Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS

Revenues, Expenses and Operating Profit

	Three Months Ended March 31,		Increase (Decrease)	
(In thousands)	1992	1991	Amount	%
Revenues	$125,213	$115,927	$ 9,286	8%
Expenses				
Sales, admin. & general	17,970	16,759	1,211	7
Interest	40,061	32,556	7,505	23
Depreciation	44,299	43,299	1,000	2
Other expenses	7,950	4,878	3,072	63
Total expenses	110,280	97,492	12,788	13
Operating Profit*	$ 14,933	$ 18,435	$(3,502)	(19)%

*Operating profit is income before taxes on income.

Revenues

Consolidated revenues increased $9.3 million or 8% during the first quarter of 1992 primarily as a result of a 60% increase in average earning assets in the Equipment Financing, Transportation and Facilities Financing, Real Estate Financing, and Municipal and Corporate Financing businesses. These increases were offset in part by a 34% decline in average earning assets in the Fleet Leasing business as a result of the securitization and sale of $212 million in principal amount of receivables at the end of 1991. A change in the mix from operating leases to finance leases also contributed to a revenue decline in the Fleet Leasing business (see Depreciation Expense below).

Expenses

Total expenses for the first quarter of 1992 increased $12.8 million or 13%, and are discussed below.

Sales, administrative and general expenses increased $1.2 million or 7% in the first three months of 1992 compared with the 1991 three-month period. The increase is a result of the Company's asset growth, offset in part by recent cost reduction actions.

Interest expense increased $7.5 million or 23% for the three-month period, reflecting an increase in average borrowings from $1.59 billion in 1991 to $2.11 billion in 1992. This increase was offset in part by an overall decline in borrowing rates, which averaged 7.6% in the first three months of 1992 compared to 8.2% in 1991. The 1992 rate of 7.6% included the effect of substantially extending borrowing maturities compared with the same period last year.

Depreciation expense on equipment increased $1.0 million or 2% in the 1992 three-month period. Expense was up $10.3 million in the Equipment Financing business due to large acquisitions of operating lease equipment beginning in the third quarter of 1991. This increase was offset in part by a decline of $9.9 million in Fleet Leasing's expense because of the change in its lease mix discussed above.

Other expenses increased $3.1 million or 63% in the 1992 first quarter due to an increase of $1.6 million in the provision for losses associated with asset growth, and the reversal in the 1991 first quarter of a $1.8 million loss allowance established in 1990.

Income before taxes on income

Based upon the discussion above, operating profit for the first quarter declined $3.5 million or 19% compared with 1991 results.

Taxes on Income

Income tax expense was 33.6% of income before taxes in the 1992 three-month period compared with 38.9% in the same 1991 period. The decrease in the overall tax rate in 1992 is primarily due to an increase in income exempt from Federal taxes.

GENERAL

Identifiable assets by segment

The table below summarizes identifiable assets for each of the Company's business segments for the dates indicated:

(In thousands)	March 31, 1992	December 31, 1991
Equipment Financing	$1,314,682	$1,325,683
Transportation & Facilities Financing	454,835	430,320
Fleet Leasing	350,224	337,060
Municipal & Corporate Financing	238,971	245,272
Real Estate Financing	277,377	238,501
Rail Services	156,110	158,414
General corporate (including goodwill) and other	235,619	257,454
Total	$3,027,218	$2,992,704

Credit loss experience

The management of credit exposure is an important element of the Company's business. The Company reviews the credit of all prospective customers, and manages concentration exposures by customer, collateral type, and geographic distribution. It establishes appropriate loss allowances based on the credit characteristics and the loss experience for each type of business, and also establishes additional reserves for specific transactions if it believes this action is warranted. Delinquent receivables are reviewed by management monthly, and are generally written down to expected realizable value when, in the opinion of management, they become uncollectible or when they become more than 180 days past due. Collection activities continue on accounts written off when management believes such action is warranted.

The table below shows certain information on the Company's allowance for doubtful accounts related to earning assets for the periods indicated:

	Three Months Ended March 31,		Twelve Months Ended December 31,
	1992	1991	1991
Allowance for doubtful accounts (millions)			
Beginning balance	$ 29.8	$ 25.2	$ 25.2
Additions	4.5	2.9	10.7
Deductions	(1.7)	(1.3)	(6.1)
Ending balance	$ 32.6	$ 26.8	$ 29.8
Percent of earning assets	1.2%	1.3%	1.1%
Total balances of accounts receivable over 90 days past due at period end (millions)	$ 48.1	$ 19.1	$ 22.6
Percent of earnings asset	1.7%	0.9%	0.8%
Total earning assets (millions)			
Investment in finance leases - net	$1,535.3	$1,180.8	$1,462.5
Investment in operating leases - net	459.1	513.7	492.1
Notes receivable	448.9	203.8	416.0
Investment in securities	228.1	87.0	236.1
Inventory held for sale or lease	84.8	76.5	100.3
Investment in associated companies	20.0	20.5	20.2
Total	$2,776.2	$2,082.3	$2,727.2

Since December 31, 1991, accounts receivable over 90 days past due increased $25.5 million, primarily because of a delinquent note due from Oak Park, an apartment complex in Brockton, Massachusetts (in bankruptcy proceedings) in the amount of $11.2 million, and a non-recourse note from Integrated Resources, in the amount of $8.0 million. The Oak Park note is collateralized by the apartment complex, and the Integrated Resources note is collateralized by a DC-9-51 aircraft on lease to Hawaiian Airlines, which has continued to make partial lease payments. Management believes that the losses, if any, which may be incurred with respect to these loans, is adequately covered by the allowance for doubtful accounts at March 31, 1992.

PART II - OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

12. Computation of ratio of earnings to fixed charges.

(b) Reports on Form 8-K.
There were no Form 8-K reports required to be filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED STATES LEASING INTERNATIONAL, INC.

May 7, 1992
Date

By: Frank H. Mason
Frank H. Mason III
Executive Vice President
and Chief Financial Officer

May 7, 1992
Date

By: Robert A. Keyes Jr.
Robert A. Keyes, Jr.
Vice President and Corporate Controller

Exhibit 12

UNITED STATES LEASING INTERNATIONAL, INC.
AND SUBSIDIARY COMPANIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited; dollars in thousands)	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Earnings:		
Income before taxes on income per statement of income	$14,933	$18,435
Add		
Fixed charges	41,125	33,729
Distribution and proceeds in excess of (less than) net income of associated companies	203	(24)
Income as adjusted	$56,261	$52,140
Fixed charges:		
Interest on indebtedness including amortization of debt issue costs and discount or premium thereon	$40,061	$32,556
Interest factor of annual rentals (1)	1,064	1,173
Fixed charges	$41,125	$33,729
Ratio of earnings to fixed charges	1.4	1.5

(1) The interest portion of annual rentals is estimated to be one-third of such rentals.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.
FORM 10 Q

Quarterly Report under Section 13 or 15 (d) of the
Securities Exchange Act of 1934

For Quarter Ended MARCH 31, 1992 Commission File No. 0 1957

UPTOWNER INNS, INC.
Exact name of registrant as specified in its charter

West Virginia State or other jusrisdiction of incorporation or organization	55-0457171 I.R.S. Employer Identification Number

1415 4th Avenue, Huntington, West Virginia 25701
Address of principal executive office Zip Code

Registrants telephone number, including area code (304) 525-7741

Indicate by check mark whether registrant:

(1) Has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and

(2) Has been subject to such filing requirement for the past 90 days.

x Yes ___ No

Indicate the number of Shares outstanding of each of the Issuer's classes of Common Stock, as of the close of the period covered by this report.

Class	Outstanding at MARCH 31, 1992
Common Stock-$.50 par value	1,583,563 Shares

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UPTOWNER INNS, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
MARCH 31, 1992 AND 1991

ASSETS

	MARCH 31,		JUNE 30,
	1992 (Unaudited)	1991 (Unaudited)	1991
CURRENT ASSETS:			
Cash	$ 25,710	$ 89,410	$ 119,732
Accounts & Notes Rec.	55,146	53,753	80,830
Inventories	10,857	21,355	20,987
Prepaid Expenses	16,724	15,417	17,471
TOTAL CURRENT ASSETS	108,437	180,435	239,020
PROPERTY, PLANT AND EQUIPMENT			
Land	985,437	935,437	935,437
Building & Improvement	5,630,918	5,477,801	5,488,963
Furniture & Equipment	1,347,435	1,346,505	1,333,759
TOTAL	7,963,790	7,759,743	7,758,159
Less: Accumulated Depreciation and Amortization	3,590,831	3,397,291	3,431,732
TOTAL PROPERTY, PLANT AND EQUIPMENT	4,372,959	4,362,452	4,326,427
OTHER ASSETS:			
Loan Costs & Franchise Fee	34,390	38,650	37,585
Deposits and Other	58,483	119,628	211,878
TOTAL OTHER ASSETS	92,873	158,278	249,463
TOTAL ASSETS	4,574,269	4,701,165	4,814,910

UPTOWNER INNS, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
MARCH 31, 1992 AND 1991

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 31,		JUNE 30,
	1992 (Unaudited)	1991 (Unaudited)	1991
CURRENT LIABILITIES:			
Accounts Payable	$ 18,320	$ 183,667	$ 75,906
Accrued Liabilities	99,157	82.301	98.476
Taxes Other Than Federal Income Taxes	151,358	78,168	120,919
Notes Payable	256,250	150.000	250.000
Current Portion of Long-Term Debt.	133,275	108,960	139,525
TOTAL CURRENT LIABILITIES	658,360	603,096	684.826
LONG-TERM LIABILITIES			
Notes & Mortgages Payable	2,121,383	2,245,826	2,229,010
Notes Payable - Stockholders	140,385	153,585	140,385
TOTAL LONG-TERM LIABILITIES	2,261,768	2,399,411	2,369.395
TOTAL LIABILITIES	2,920,128	3,002.507	3.054.221
STOCKHOLDER'S EQUITY			
Common Stock, par value $0.50 per share; authorized shares;	791,782	791,782	791,782
Additional Paid-In Capital	1,032,290	1,032,290	1,032,290
Retained Earnings	(169,931)	(125,414)	(63,383)
TOTAL STOCKHOLDERS EQUITY	1,654,141	1,698,658	1,760.689
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	4,574,269	4,701,165	4,814,910

UPTOWNER INNS, INC., AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE PERIODS ENDED MARCH 31, 1992 AND 1991

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	3/31/92	3/31/91	3/31/92	3/31/91
REVENUES:				
Rooms	$ 296,158	$ 289,562	$1,056,357	$1,010,238
Food & Beverage	72,236	87,284	338,767	345,912
Telephone	7,765	8,188	25,765	29,115
Rents & Others	64,984	47,798	147,622	153,400
TOTAL REVENUE	441,143	432,832	1,568,511	1,538,665
COSTS AND EXPENSES:				
Operating Departments				
Cost of Sales	51,563	61,670	178,374	202,884
Salaries & Wages	121,138	118,224	390,504	429,564
Other	56,001	66,097	183,714	216,894
General Admin.	28,448	26,992	100,402	92,920
Advertising	12,920	2,714	54,243	47,135
Utilites	27,309	33,049	92,717	91,452
Repair & Maint.	16,476	25,939	90,715	85,160
Interest	64,133	59,286	196,338	161,717
Taxes & Licenses	66,556	42,571	174,062	155,716
Insurance	1,467	24,739	32,996	51,529
Deprec. & Amort.	61,262	56,610	180,994	187,703
TOTAL COST AND EXPENSE	507,273	517,891	1,675,059	1,722,674
NET OPERATING INCOME (LOSS) BEFORE TAXES	(66,130)	(85,059)	(106,548)	(184,009)
FEDERAL INCOME TAXES AND PENALTIES				
Provision for Taxes on Income	-0-	-0-	-0-	-0-
Deferred Federal Income Taxes	-0-	-0-	0	-0-
Tax Penalties	-0-	-0-	-0-	0-
TOTAL FEDERAL INCOME TAXES	-0-	0	-0-	-0-
TOTAL NET INCOME(LOSS)	(66,130)	(85,059)	(106,548)	(184,009)
EARNINGS PER SHARE	(.04)	(.05)	(.07)	(.12)
DIVIDENDS PER SHARE	-0-	-0-	0-	0-

UPTOWNER INNS, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31,

	1992	1991
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income (Accrual Basis; from Statement of Income	$ (106,548)	$ (134,009)
Add (Deduct) to Reconcile Net Income to Net Cash Flow:		
Accts. Receivables Decrease	25,684	34,526
Inventories (Increase) Decrease	10,130	(57,672)
Prepaid Expenses Decrease	747	10,269
Accounts Payable (Decrease) Increase	(57,586)	98,554
Notes Payable Increase	6,250	145,000
Accrued Liabilities (Decrease) Increase	681	(10,569)
Taxes Other Than Federal Income Tax Increase (Decrease)	30,439	(39,538)
Depreciation and Amortization Expense (Including Franchise)	180,994	187,703
NET CASH INFLOW FROM OPERATIONS	90,791	234,264
CASH FLOW FROM INVESTING ACTIVITIES:		
Cash Inflow:		
From Sale of Operational Assets	-0	300
Cash Outflows:		
Paid for Operational Assets & Other	(83,437)	(131,331)
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	(83,437)	(131,031)
CASH FLOW FROM FINANCING ACTIVITIES:		
Cash Outflows:		
Payment on Notes and Mortgages	(101,376)	(92,846)
NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES	(101,376)	(92,846)
Net Increases (Decreases) in Cash Plus Cash Equivalents for the Nine Months	(94,022)	10,387
Cash Plus Cash Equivalents at July 1	119,732	79,023
Cash Plus Cash Equivalents at March 31	25,710	89,410
Cash Paid for Interest in the Nine Months	196,338	161,717
Cash Paid for Income Taxes in The Nine Months	0	0

UPTOWNER INNS, INC., AND SUBSIDAIRIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1992

1. The financial statements presented reflect Uptowner Inns, Inc., and its consolidated subsidiaries: Uptowner Inn of Parkersburg, Inc., and Hotel and Restaurant Supply.

2. The foregoing statements are unaudited; however, in the opinion of Management, all adjustments (comprising only normal recurring accruals) necessary for a fair presentation of the financial statements have been included. A summary of the Corporation's significant accounting policies is set forth in Note 1 to the Consolidated Financial Statements in the Corporation's Annual Report to shareholders and Form 10-K for June 30, 1991.

UPTOWNER INNS, INC., AND SUBSIDIARIES
MANAGEMENTS DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
MARCH 31, 1992

Revenues for the quarter remain flat as compared to the comparable quarter of 1991. Expenses in total are down 2% from the same quarter in 1991, but the date indicates significant decreases in Cost of Sales, Other, Utilities, Repairs and Maintenance and Insurance due to decreased activities in the Food & Beverage department, Management Controls, and reduced maintenance necessitated by reduced cash available.

The year to-date indicates a 2% increase in revenues and with the efforts of management, the costs and expenses have been reduced in Cost of Sales, Salaries & Wages, and other by $97,000. This effort has been affected by increased Interest and Taxes and Licenses caused, in part, by interest rate changes and tax rate changes.

The company has had a significant reduction of liquidity as the real estate mortgages and property replacement/improvements cause cash to flow from the operating activities to cover these areas.

Management will continue an aggressive cost containment program and attempt to improve revenues even though the area is not economically growing. Efforts will be made to improve property utilization and to improve the liquidity, however the prospects do not look extremely favorable.

UPTOWNER INNS, INC., AND SUBSIDIARIES

SIGNATURES

MARCH 31, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UPTOWNER INNS, INC.
(Registrant)

Date:

By Violet Midkiff
Violet Midkiff
President

Date:

By Emogene Carson
Emogene Carson
Treasurer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

__X__ QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTER ENDED FEBRUARY 29, 1992

Commission File Number 0-15482

WAVETECH, INC.
(Exact name of registrant as specified in its charter)

NEW JERSEY (State of Incorporation)	22-2726569 (IRS Employer Identification No.)

501 King Avenue
Cherry Hill, New Jersey
(Address of principal executive offices)

08002
(Zip Code)

(609) 486-9200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months or such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days.

YES__X__ NO_____

Indicate the number of share outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, $.001 Par Value - 14,485,950 shares outstanding

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WAVETECH, INC.

PART I - FINANCIAL INFORMATION

TEM I - FINANCIAL STATEMENTS

WAVETECH INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	February 29, 1991 (Unaudited)	August 31, 1991 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$26,194	$307,126
Accounts receivable Billed, less allowance for doubtful accounts of $47,588	995,030	557,876
Unbilled	222,683	328,317
Inventories	7,224	7,224
Notes and loans receivable	13,295	15,721
Other current assets	138,408	105,230
TOTAL CURRENT ASSETS	1,402,834	1,321,494
Machinery, Equipment, Leasehold Improvements, Land and Land Development Costs	6,624,414	6,590,758
OTHER ASSETS		
Deposits	28,639	26,446
Cash surrender value, officers' life insurance net of loans of $22,840 and $34,841 respectively	22,191	10,191
Other, net of accumulated amortization of $57,116 and $53,623 respectively	66,596	79,759
TOTAL OTHER ASSETS	117,426	116,396
TOTAL ASSETS	$8,144,674	$8,028,648
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$86,037	$95,289
Current portion of capital lease obligations	90,000	87,213
Notes payable to bank	175,000	145,000
Notes payable - other	106,000	106,000
Accounts payable and accrued expenses	229,766	333,231
Other current liabilities	17,500	20,662
TOTAL CURRENT LIABILITIES	704,303	787,395
LONG-TERM DEBT, less current portion	96,542	133,412
Capital Lease Obligations, less current portion	287,739	299,552
Deferred Income Taxes	16,591	16,591
TOTAL LIABILITIES	1,104,175	1,235,950
SHAREHOLDERS' EQUITY		
Common stock, $.001 par value per share, 50,000,000 authorized, 14,616,950 and 14,485,950 shares issued and outstanding respectively	14,617	14,484
Additional paid-in capital	7,948,809	7,919,682
Deficit	(922,927)	(1,141,468)
TOTAL SHAREHOLDERS' EQUITY	7,040,499	6,792,698
TOTAL LIABILITES AND SHAREHOLDERS' EQUITY	$8,144,674	$8,028,648

See notes to Condensed Consolidated Financial Statements

WAVETECH INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended February 29,	
	1992 (Unaudited)	1991 (Unaudited)
REVENUES	$697,710	$465,412
PRODUCTION COSTS		
Salaries	91,099	72,461
Other direct costs	88,250	118,276
TOTAL PRODUCTION COSTS	179,349	190,737
GROSS PROFIT	518,361	274,675
OTHER COSTS		
Selling, general and administrative expenses	292,751	304,196
TOTAL OTHER COSTS	292,751	304,196
INCOME BEFORE OTHER INCOME (EXPENSE) AND INCOME TAXES	225,610	(29,521)
OTHER INCOME (EXPENSE)		
Interest Income	0	0
Interest Expense	(16,651)	(20,118)
TOTAL OTHER INCOME (EXPENSE)	(16,651)	(20,118)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	208,959	(49,639)
PROVISION FOR INCOME TAXES	150	0
NET INCOME	$208,809	($49,639)
Per share data		
Net Income	$0.0143	($0.010)
Weighted average number of shares outstanding	14,618,950	4,145,000

See notes to Condensed Consolidated Financial Statements

WAVETECH INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended February 29, 1992 (Unaudited)	Six Months Ended February 29, 1991 (Unaudited)
REVENUES	$1,349,625	$1,076,424
PRODUCTION COSTS		
Salaries	235,403	173,984
Other direct costs	197,250	253,739
TOTAL PRODUCTION COSTS	432,653	427,723
GROSS PROFIT	916,972	648,701
OTHER COSTS		
Selling, general and administrative expenses	659,770	562,499
TOTAL OTHER COSTS	659,770	562,499
INCOME BEFORE OTHER INCOME (EXPENSE) AND INCOME TAXES	257,202	86,202
OTHER INCOME (EXPENSE)		
Interest Income	0	0
Interest Expense	(32,661)	(42,836)
TOTAL OTHER INCOME (EXPENSE)	(32,661)	(42,836)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	224,541	43,366
PROVISION FOR INCOME TAXES	6,000	0
NET INCOME	$218,541	$43,366
Per share data		
Net Income	$0.0149	$0.010
Weighted average number of shares outstanding	14,618,950	4,145,000

See notes to Condensed Consolidated Financial Statements

WAVETECH INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended February 29,	
	1992 (Unaudited)	1991 (Unaudited)
OPERATING ACTIVITIES		
Net income	$218,541	$43,366
Add (deduct) items not affecting cash		
Gain on disposal of discontinued operations	--	--
Extraordinary income	--	--
Depreciation and amortization	52,059	68,397
Bad debt expense (reversal)		(20,000)
Cash (used) due to changes in working capital amounts other than cash and debt	(3,158)	(14,366)
(increase) decrease in inventories		(15,000)
(increase) decrease in accounts receivable	(331,520)	437,775
Increase (decrease) in accounts payable and accured expenses	(103,465)	(86,463)
Increase (decrease) in other current liabilities	(3,162)	(9,547)
(increase) decrease in cash surrender value, officers' life insurance	--	10,020
(increase) decrease in notes receivable	2,426	(52,139)
(increase) decrease in other assets	13,163	58,090
Increase (decrease) in notes payable – other		10,000
(increase) decrease in other current assets	(33,178)	--
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(188,294)	430,133
INVESTING ACTIVITIES		
Purchase of machinery, equipment and leasehold improvements	(55,490)	(31,783)
CASH USED BY INVESTING ACTIVITIES	(55,490)	(31,783)
FINANCING ACTIVITIES		
Proceeds from long-term financing	--	--
Net increase (decrease) in notes payable to bank	30,000	(195,000)
Net increase (decrease) in current portion of long-term debt and capital lease obligations	(6,465)	--
Payments on life insurance loans	(12,000)	--
Payments on long-term debt	(36,870)	(50,674)
Payments on capital lease obligations	(11,813)	(52,896)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(37,148)	(298,570)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(280,932)	99,780
CASH AND CASH EQUIVALENTS, BEGINNING	307,126	25,472
CASH AND CASH EQUIVALENTS, ENDING	$26,194	$125,252

See notes to Condensed Consolidated Financial Statements

WAVETECH, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

SIX MONTHS ENDED FEBRUARY 29, 1992

NOTE 1--BASIS OF PRESENTATION

THE ACCOMPANYING UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR INTERIM FINANCIAL INFORMATION. ACCORDINGLY, THEY DO NOT INCLUDE ALL OF THE INFORMATION AND FOOTNOTES REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR COMPLETE FINANCIAL STATEMENTS. IN THE OPINION OF MANAGEMENT, ALL ADJUSTMENTS (CONSISTING OF NORMAL RECURRING ADJUSTMENTS) CONSIDERED NECESSARY FOR A FAIR PRESENTATION HAVE BEEN INCLUDED. OPERATING RESULTS FOR THE THREE AND SIX MONTH PERIODS ENDED FEBRUARY 29, 1992 ARE NOT NECESSARILY INDICATIVE OF THE RESULTS THAT MAY BE EXPECTED FOR THE FISCAL YEAR ENDING AUGUST 31, 1992. FOR FURTHER INFORMATION, REFER TO THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 1991.

NOTE 2--PER SHARE DATA

PER SHARE DATA IS BASED ON THE WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING THROUGHOUT THE PERIODS. THE ASSUMED EXERCISE OF STOCK OPTIONS OUTSTANDING WOULD NOT HAVE A DILUTIVE EFFECT ON THE COMPUTATION.

FILE:NOTE292

ITEM II

WAVETECH, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REVENUES

REVENUES FOR THE THREE ($697,710) AND SIX MONTHS ($1,349,625) ENDED FEBRUARY 29, 1992 INCREASED 50% ($232,298) AND 25% ($275,201) RESPECTIVELY WHEN COMPARED TO THE PRIOR YEARS SAME THREE AND SIX MONTH PERIOD. THIS INCREASE IN REVENUES RESULTED FROM A STRONGER MARKETING EFFORT AND ADDITIONAL SALES PERSONNEL. HISTORICALLY, ALTHOUGH IN SOME RESPECTS IT MAY AFFECT THE THIRD QUARTER, MANAGEMENT EXPECTS THAT SALES WILL SUBSTANTIALLY INCREASE DURING THE FOURTH QUARTER DUE TO DEMAND FOR THE COMPANY'S SERVICES DURING THE LATE SPRING AND SUMMER MONTHS THE COMPANY IS ATTEMPTING TO EXPAND ITS SERVICES TO REDUCE THE EFFECT OF SEASONALITY.

PRODUCTION COSTS

PRODUCTION COSTS DECREASED ($11,388) OR 6% AND INCREASED BY ($4,930) OR 1% FOR THE SAME THREE AND SIX MONTH PERIODS AS COMPARED TO THE PRIOR YEAR'S SAME PERIODS WHICH REFLECTS THE COMPANY'S SUCCESS AT TARGETING AND OBTAINING MORE PROFITABLE WORK.

OTHER COSTS

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE OF $292,751 AND $659,770 DECREASED BY ($11,445) FOR THE SAME THREE MONTH PERIOD AND INCREASED BY ($97,271) FOR THE SAME SIX MONTH PERIOD. THIS INCREASE IS PRIMARILY DUE TO THE VARIOUS FEES AND EXPENSES ATTRIBUTABLE TO THE START-UP OF THE LANDFILL DEVELOPMENT, MANAGEMENT AND OPERATIONS DIVISION.

INTEREST EXPENSE OF $32,661 FOR THE SIX MONTHS ENDED FEBRUARY 29, 1992 DECREASED BY $10,175 OR 24% WHEN COMPARED TO THE SAME PERIOD OF A YEAR AGO AND $3,467 OR 17% FOR THE THREE MONTH PERIOD DUE TO LOWER INTEREST RATES AND BETTER CASH COLLECTIONS.

RESULTS OF OPERATIONS

THE COMPANY HAS SUBSTANTIALLY INCREASED OPERATIONAL INCOME WHEN COMPARED TO THE SAME SIX MONTH PERIOD OF A YEAR AGO. INCOME FROM CONTINUING OPERATIONS FOR THE SIX MONTHS ENDED FEBRUARY 29, 1992 WAS $224,541 COMPARED TO $43,366 FOR THE SAME SIX MONTH PERIOD OF A YEAR AGO.

LIQUIDITY AND CAPITAL RESOURCES

THE COMPANY MAINTAINS A POSITIVE CURRENT RATIO AND DOES NOT FEEL THAT LIQUIDITY SHOULD PRESENT A PROBLEM CONSIDERING THE CURRENT BACKLOG OF WORK WHICH SHOULD TURN ITSELF INTO CASH IN THE SHORT RUN. WORKING CAPITAL AT FEBRUARY 29, 1992 IS $698,531 COMPARED TO $543,099 AT AUGUST 31, 1991.

FILE: MDA292

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

None

Item 2 - Changes in Securities

None

Item 3 - Defaults Upon Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

None

Item 5 - Other Information

None

Item 6 - Exhibits and Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the undersigned has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WAVETECH, INC.
(Registrant)

By:______________________________
RALPH DEPORACE, PRESIDENT and
CHIEF EXECUTIVE OFFICER

By:______________________________
GARY TOURSCHER SECRETARY/
TREASURER and CHIEF FINANCIAL OFFICER

Dated: April 28, 1992

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992

Commission file number 0-8621

V92 2261

The Woodbury Telephone Company
(Exact name of registrant as specified in its charter)

Connecticut
(State or other jurisdiction of incorporation or organization)

06-0594990
(I.R.S. Employer Identification Number)

299 Main Street South, Woodbury, Connecticut 06798
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code (203)263-2121

Not Applicable
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports equired to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 934 during the preceding 12 months (or for such shorter period that the gistrant was required to file such reports), and (2) has been subject to such ling requirements for the past 90 days.

X No ____

V30

dicate the number of shares outstanding of each of the issuer's classes of mon stock, as of the latest practicable date.

Class	Outstanding at April 30, 1992
mon Stock, par value $2.50 per share	769,107

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THE WOODBURY TELEPHONE COMPANY

FORM 10-Q

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THE WOODBURY TELEPHONE COMPANY

FORM 10-Q

FOR QUARTER ENDED MARCH 31, 1992

PART I

FINANCIAL INFORMATION

THE WOODBURY TELEPHONE COMPANY

CONDENSED BALANCE SHEETS

(Unaudited)

	March 31 1992	December 31 1991
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$383,005	$977,908
Accounts receivable, less allowance for losses of $40,000	2,345,585	2,537,522
Materials and supplies	411,396	384,544
Prepaid expenses	505,174	123,235
TOTAL CURRENT ASSETS	3,645,160	4,023,209
TELEPHONE PLANT AND OTHER PROPERTY		
In service	33,460,129	32,824,912
Less accumulated depreciation	12,874,051	12,424,549
	20,586,078	20,400,363
Other property	99,469	99,469
	20,685,547	20,499,832
OTHER ASSETS		
1% Investment in Springwich Cellular Limited Partnership, at cost	535,068	535,068
Deferred charges, less amortization	845,004	871,776
	1,380,072	1,406,844
	$25,710,779	$25,929,965

THE WOODBURY TELEPHONE COMPANY

CONDENSED BALANCE SHEETS- CONTINUED

(Unaudited)

	March 31 1992	December 31 1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Note payable to bank	$5,585,000	$5,585,000
Accounts payable	1,274,727	1,372,090
Income taxes	219,516	176,022
Other	342,153	394,290
Current portion of long-term debt	150,000	150,000
TOTAL CURRENT LIABILITIES	7,571,396	7,677,402
LONG-TERM DEBT, less current portion	2,710,000	2,830,000
DEFERRED CREDITS		
Income taxes	3,416,200	3,411,300
Investment tax credits	577,142	595,142
Other	22,752	22,752
	4,016,094	4,029,194
OTHER LIABILITY	200,000	200,000
SHAREHOLDERS' EQUITY		
Common Stock, par value $2.50 per share, authorized 1,250,000 shares, issued and outstanding 769,107 shares	1,922,768	1,922,768
Additional paid-in capital	1,475,394	1,475,394
Retained earnings	7,815,127	7,795,207
	11,213,289	11,193,369
	$25,710,779	$25,929,965

See notes to condensed financial statements.

THE WOODBURY TELEPHONE COMPANY

CONDENSED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended March 31 1992	 1991
Operating revenues:		
Local service	$617,671	$661,644
Network service	1,783,567	1,604,338
Other	291,755	296,964
	2,692,993	2,562,946
Operating expenses:		
Maintenance	658,975	655,892
Depreciation and amortization	536,158	526,714
Other	794,543	736,238
	1,989,676	1,918,844
	703,317	644,102
Other income-net	72,451	84,179
	775,768	728,281
Income and other taxes	293,549	267,098
	482,219	461,183
Interest expense	170,038	185,013
NET INCOME	$312,181	$276,170
Per share of Common Stock:		
Net income	$0.41	$0.36
Dividends	$0.38	$0.38
Average number of shares of Common Stock outstanding	769,107	769,107

See notes to condensed financial statements.

THE WOODBURY TELEPHONE COMPANY

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31, 1992	1991
OPERATING ACTIVITIES:		
Net Income	$312,181	$276,170
Depreciation	503,389	509,554
Other	(309,188)	(507,550)
NET CASH PROVIDED BY OPERATING ACTIVITIES	506,382	278,174
INVESTING ACTIVITIES		
Purchases of telephone plant and other property	(689,104)	(549,802)
NET CASH USED BY INVESTING ACTIVITIES	(689,104)	(549,802)
FINANCING ACTIVITIES		
Borrowings	0	185,000
Principal payments on debt	(120,000)	(120,000)
Dividends	(292,261)	(292,261)
NET CASH USED BY FINANCING ACTIVITIES	(412,261)	(227,261)
DECREASE IN CASH AND CASH EQUIVALENTS	(594,983)	(498,889)
Cash and cash equivalents at beginning of period	977,988	674,050
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$383,005	$175,161

See notes to condensed financial statements.

THE WOODBURY TELEPHONE COMPANY

NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 1992

Note A - Basis of Presentation

The accompanying unaudited condensed financial statements of The Woodbury Telephone Company (the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991.

The condensed balance sheet at December 31, 1991 has been derived from the audited financial statements at that date.

THE WOODBURY TELEPHONE COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operating revenues increased by $130,047 (5.1%) for the quarter ended March 31, 1992 compared to 1991 due primarily to favorable retroactive access charge settlements with the National Exchange Carrier Association.

Operating expenses increased by $70,832 (3.7%) for the quarter ended March 31, 1992 compared to 1991. The increase resulted primarily from additional contracted services for data processing, temporary labor, and labor costs reflecting a change in duties of certain personnel from those customarily capitalized as property to those customarily treated as operating expenses.

As of March 31, 1992 current liabilities exceeded current assets by $3,926,236, reflecting an increase of $272,123 compared to December 31, 1991. Current liabilities at both dates include $5,585,000 under a line of credit arrangement. The Company has a tentative agreement to refinance all of its debt to a long-term basis by the end of 1992 with the proceeds of a $9,000,000 debt agreement. Any refinancing is subject to documentation, and the approval of the Department of Public Utility Control of the State of Connecticut.

Cash provided by operating activities for the quarter ended March 31, 1992 was $506,382 compared to $278,174 for 1991. Available cash, including that provided by current operating activities, was sufficient to cover capital expenditures, normal maturities of long-term debt of $120,000, and dividends. Capital expenditures for the remainder of 1992 are expected to approximate $2,300,000, substantially all of which is expected to be financed primarily with cash provided by operating activities.

THE WOODBURY TELEPHONE COMPANY

FORM 10-Q

FOR QUARTER ENDED MARCH 31, 1992

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Exhibits - None.

The Company did not file any reports on Form 8-K during the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE WOODBURY TELEPHONE COMPANY

DATE 5/6/92

BY Donald E. Porter
Donald E. Porter
Vice President/Treasurer

DATE 5-6-92

BY J Garry Mitchell
J. Garry Mitchell
President